

**2011–12**

# **Annual Report**

**Queensland Treasury and Trade**



31 October 2012

The Honourable Tim Nicholls, MP  
Treasurer and Minister for Trade  
GPO Box 611  
Brisbane Qld 4000

Dear Treasurer

I am pleased to present the Annual Report 2011-12 and financial statements for Queensland Treasury and Trade.

I certify that this annual report complies with the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*. It also substantially complies with the detailed requirements set out in the Annual report requirements for Queensland Government agencies.

A checklist outlining the annual reporting requirements can be accessed at [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au)

Yours sincerely

**Helen Gluer**  
Under Treasurer

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**Translating and interpreting assistance**

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If you have difficulty in understanding the annual report, you can contact us on +61 7 3035 3503 between 9am-5pm, Monday to Friday (except for public holidays).

We will arrange an interpreter to effectively communicate the report to you.

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## About our annual report

The Queensland Treasury and Trade Annual Report 2011-12 is an integral part of our corporate governance framework and is one of the main tools we use to ensure we are accountable to the Queensland Parliament and the community about our activities.

This report details our achievements, performance and financial position for the 2011–12 financial year. It aligns with the Queensland Treasury Strategic Plan 2011-16, Service Delivery Statement 2011–12, and the Queensland Government's objectives for the community. It also provides information on our future direction, people management and corporate governance processes.

### Find our report online

This report is available online: [www.treasury.qld.gov.au/about/annual\\_report/](http://www.treasury.qld.gov.au/about/annual_report/)

For enquiries about this annual report, contact the Principal Consultant, Communication and Web Services, telephone 61 7 3035 3532 or [annualreport@treasury.qld.gov.au](mailto:annualreport@treasury.qld.gov.au).

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# Under Treasurer's report

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When the present Government was elected in early 2012, one of its first commitments gave Queensland Treasury and Trade a clear charter to lead the task of fiscal repair.

Supporting this program of reform has been the Commission of Audit into the State's finances. The Commission's interim report highlighted significant challenges that demanded action: a balance sheet eroded by increased debt and revenue growth outpaced by expense growth. Our task is to apply the Government's fiscal principles: stabilising then reducing debt, working for a fiscal balance, maintaining a competitive tax environment for business, and targeting full funding of long term liabilities. These principles have become our blueprint for the State Budget and our roadmap for the coming years.

As part of the 2012-13 State Budget, the Treasurer also announced the creation of a Fiscal Discipline Unit within Treasury and Trade to monitor progress towards the achievement of a fiscal surplus in 2014-15.

At an agency rather than whole-of-Government level, our people understand that Treasury and Trade must find the savings demanded of every other agency, share responsibility for fiscal repair and meet the Government's target of sustainable public sector growth.

We also share in the exercise of realigning services to meet the Government's objectives. For Treasury and Trade, this has also meant taking responsibility for the Government's trade and investment portfolio and the collection of some \$160 million revenue from fines and penalties.

This has also necessitated a review of roles, functions and responsibilities across the portfolio and the development of a new structure to ensure a flattening of reporting relationships and a broadening of the responsibilities of senior roles.

The major themes to emerge are:

- 'One Treasury' view - a more commercial mode of operating than our previous model of discrete portfolio offices. This perspective will allow us to speak, respond and lead with one voice.
- Our work in fiscal management, economic analysis and advice to Government will increase in volume and rigour. Our success and that of the Government depends on making decisions on the best data available, as they look to us for advice that considers all aspects of the State's fiscal and economic position.

## **Our work for the coming year and beyond is already underway.**

Most immediately, a significant body of work will arise out of the presentation of the State Budget in September 2012. The Commission of Audit will deliver its interim recommendations in November 2012 and its final report in February 2013. This is expected to offer further opportunities for real, positive change in the Queensland economy. The first report of the Office of Best Practice Regulation in the Queensland Competition Authority will be delivered in January. This body leads Government's commitment to reduce red tape by 20 per cent. The Cost of Living Amendment Act has already enacted many of the Government's commitments to taxpayers, including reintroducing the transfer duty concession for homebuyers, freezing standard electricity tariff and car registration and raising the payroll tax threshold for business.

The newly established Projects Queensland will work to maximise private investment in infrastructure and cut red tape in delivery.

## **It is a full agenda, and one with great impact.**

Finally, I must pay tribute to my predecessor as Under Treasurer, Gerard Bradley. I have long admired Gerard's contribution to Queensland's public sector and the Treasury portfolio in particular. I am glad we have retained his experience in government as Chairman of Queensland Treasury Corporation, an agency critical to regaining the State's AAA credit rating.

Over coming months, we will come to understand how our organisation will evolve. Since starting my conversations with the people of Treasury and Trade, my observation has been of a skilled, experienced workforce, pragmatic and supportive of change, and keen to make a lasting contribution.

**Helen Gluer**  
**Under Treasurer**

## 2011-12 highlights

While the latter part of 2011-12 laid the groundwork for a program of critical fiscal repair, our achievements throughout the year included:

- monitoring the 2011-12 State Budget, and developing the 2012-13 Budget
- assisting with the establishment of the independent Commission of Audit into the State's finances
- establishing Projects Queensland to encourage private investment in State infrastructure
- assuming responsibility for the Government's trade and investment portfolio
- collecting \$1.101 billion in dividends and tax equivalents and managing \$12.4 billion in revenue and grants (with the added responsibility for collecting fines and penalties), for essential services for Queenslanders
- reviewing private finance options for expanding port and water supply infrastructure to accommodate a growing coal industry.
- Passage of the Cost of Living Amendment Act to give effect to a range of initiatives such as transfer duty concessions for homebuyers, freezing standard electricity tariff and car registration and raising the payroll tax threshold for business.

## The year ahead

The imperative for reform and fiscal repair will continue as our agenda for the coming year. We will work to strengthen the Queensland economy and ensure value for money in the delivery of frontline services by:

- contributing to growing a four-pillar economy based on tourism, agriculture, resources and construction, and implementing the Government's fiscal principles
- delivering and monitoring the 2012-13 State Budget and developing the 2013-14 State Budget
- assessing and responding to the Commission of Audits second and final reports due in November 2012 and February 2013
- commencing Projects Queensland's agenda of significant infrastructure projects with a new government precinct at 1 William Street, Brisbane and the Toowoomba second range crossing
- working with the Office of Best Practice Regulation in the Queensland Competition Authority to significantly reduce the burden of regulation and red tape on business and communities
- introducing the Fiscal Repair Amendment Bill to give effect to a range of initiatives including duties and the First Home Owner Construction Grant
- collecting a forecast \$1.308 billion in dividends and current tax equivalents and managing a forecast \$12.6 billion in revenue and grants
- creation of a Fiscal Discipline Unit to monitor and ensure the Government achieves a fiscal surplus in 2014-15.

## Our vision

To improve the quality of life for all Queenslanders and contribute to the Government's priorities for the community: to grow a four-pillar economy, lower the cost of living, deliver better infrastructure, revitalise frontline services and restore accountability in Government.

## Our values

We value the following behaviours among our people:

- achievement and excellence
- trust and integrity
- innovation and learning
- teamwork.

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# About us

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## Who we are

Queensland Treasury and Trade provides economic, financial and commercial advice to the Queensland Government to enhance our State's financial position and economic performance. We also take a lead role in assisting the Government to be accountable and transparent in delivering services to the community.

We are responsible for three statutory bodies: the Motor Accident Insurance Commission, Queensland Treasury Corporation and the Queensland Future Growth Corporation. These bodies produce their own annual reports.

## How we began

Queensland Treasury and Trade has no single legislative charter. The Treasury Department came into existence in 1859 with the separation of the Colony of Queensland from the Colony of New South Wales. The appointment of the first Colonial Treasurer, Mr Robert Ramsay Mackenzie, was gazetted on 15 December 1859.

On 3 April 2012, the State Government's trade and investment portfolio joined Queensland Treasury from the former Department of Employment, Economic Development and Innovation. From that date, our organisation became Queensland Treasury and Trade.

## What we do

In 2011-12, our diverse responsibilities and services included:

### **Managing a strong economy and financial position**

Our fundamental role is to manage the State's finances, advance the performance of the Queensland economy, and provide policy, strategies and advice at a whole-of-Government level to promote value-for-money service delivery.

### **Managing Queensland's interests in Government-owned corporations**

We manage the State's interest in the Government-owned corporations sector to:

- maximise the Government's return on investment balanced with reliable, efficient and secure service delivery outcomes
- deliver market-comparable returns to shareholders
- adhere to corporate governance guidelines and statutory requirements.

### **Delivering economic and statistical research to inform Government decision making**

We provide high quality and fit-for-purpose statistics and research to improve planning, decision making, policy development, performance evaluation and resource allocation for Queensland.

### **Managing the State's revenue efficiently and equitably**

We manage Queensland's revenue base by delivering and administering simple, efficient and equitable revenue management services for State taxes, royalty revenue and grant schemes and by managing the State's collection of fines and penalties.

### **Trade and investment**

We help Queensland business develop markets, improve their export capability and promote trade and investment opportunities.

## Changes in Treasury

Following the Queensland State election in March 2012, the incoming government announced significant changes to Treasury.

Trade and Investment Queensland joined Treasury from the former Department of Employment, Economic Development and Innovation. In keeping with the Government's commitment to Queensland's future prosperity, Trade and Investment Queensland will use its position in the department to support a business-friendly environment, economic sustainability and globally competitive exports. Trade's services will continue to help businesses pursue export, international investment and global expansion opportunities. Read more about Trade and Investment Queensland on pages 30 to 33.

The State Penalties Enforcement Registry (SPER) joined Treasury from the Department of Justice and Attorney-General. Now part of the Office of State Revenue, SPER collects and enforces unpaid infringement notice fines, court-ordered monetary fines and offender recovery orders issued in Queensland. The Commissioner of State Revenue will review SPER's procedures and processes including how SPER engages with debtors, how notices are served and how professional agents might work with SPER to reduce the debt pool. Optimising these functions will allow SPER to continue to help vulnerable people and the wider community protect their rights and meet their obligations. Read more about SPER on pages 28 and 29.

# Our organisation

Our structure (featured below at 30 June 2012) comprises a range of specialist areas that apply their expertise to enhance our State's financial position and economic performance in line with the Government's objectives for the community.



# Queensland's future prosperity - meeting the Government's objectives for the community

Queensland Treasury and Trade plays a direct role in the State's future prosperity and in improving quality of life for all Queenslanders.

We contribute to the Government's objectives for the community ...

... by ...

<p><b>Grow a four pillar economy</b></p>	<ul style="list-style-type: none"> <li>• Managing a fiscal strategy underpinned by the Government's four fiscal principles:               <ul style="list-style-type: none"> <li>–To stabilise and significantly reduce debt</li> <li>–To achieve and maintain a general Government sector fiscal balance in 2014-15</li> <li>–To maintain a competitive tax environment for business</li> <li>–To target full funding of long-term liabilities in accordance with actuarial advice.</li> </ul> </li> <li>• Providing timely and accurate advice to the Government on key financial aggregates to aid decision making</li> <li>• Shaping Queensland and national policies to support a business friendly environment, economic sustainability and globally competitive exports</li> </ul>
<p><b>Lower the cost of living for families by cutting waste</b></p>	<ul style="list-style-type: none"> <li>• Implementing legislative changes to support lower cost-of-living initiatives, such as those relating to household electricity costs and concessional duty for homebuyers</li> </ul>
<p><b>Deliver better infrastructure and planning</b></p>	<ul style="list-style-type: none"> <li>• Continuing structural and infrastructure reforms to raise the productivity of the Queensland economy and raise living standards</li> <li>• Driving cooperative funding models to ensure infrastructure is built where it is needed, on time and within budget</li> </ul>
<p><b>Revitalise front-line services for families</b></p>	<ul style="list-style-type: none"> <li>• Making recommendations on resources to be redirected to front-line services</li> <li>• Ensuring Government resources achieve value for money, are directed to services that improve quality of life and are delivered efficiently and equitably</li> </ul>
<p><b>Restore accountability in government</b></p>	<ul style="list-style-type: none"> <li>• Providing transparent financial and commercial advice to Government to achieve better value for money for taxpayers.</li> <li>• Making a key contribution to the Commission of Audit, commissioned by the State Government to conduct an independent audit of Queensland's finances.</li> <li>• Continuing our leadership role in financial management for Government agencies.</li> </ul>

... through our offices and their services:

**Treasury Office**

Financial and economic policy and advice

**Office of Government Owned Corporations**

Managing Government's investment in the GOC sector

**Office of Economic and Statistical Research**

Economic, statistical and demographic research

**Office of State Revenue**

Managing State taxes, other revenue and grants

**Trade and Investment Queensland**

Export, trade and investment development

# The year in review

## Financial and economic policy

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Strategy	Highlights	The year ahead
Manage and coordinate the State Budget process and achieve a sound fiscal position.	<p>Commenced the process to deliver the 2012-13 State Budget, released the <i>2011-12 Mid-Year Fiscal and Economic Review</i> and published the <i>2010-11 Report on State Finances</i>.</p> <p>Commenced the process to amalgamate Queensland's bulk water entities, an initiative designed to ultimately reduce water prices for consumers.</p> <p>Introduced legislation to support the Government's cost of living package, including initiatives targeting home electricity costs, concession duty for homebuyers and vehicle registration.</p>	<p>Coordinate the delivery of the 2012-13 State Budget to be handed down in September 2012.</p> <p>Develop the 2011-12 Report on State Finances, the 2012-13 Mid-Year Fiscal and Economic Review and the 2013-14 State Budget.</p>
Provide financial advice to foster State-wide infrastructure development.	Reviewed private finance options for expanding port and water supply infrastructure to accommodate a growing coal industry.	Establish Projects Queensland to encourage private investment in State infrastructure.
Lead Queensland's regulatory agenda by managing and implementing reforms and improvements to regulatory practice in Queensland to reduce regulatory burden.	<p>Administered the Regulatory Impact Statement (RIS) system.</p> <p>Continued leadership of Queensland's commitments under the National Partnership Agreement to deliver a Seamless National Economy, resulting in a reward payment of \$41 million, which will be applied to frontline service delivery.</p> <p>Established the Office of Best Practice Regulation in the Queensland Competition Authority.</p>	<p>Ensure to the extent possible, implementation of the remaining Seamless National Economy reforms and contribute to the development of the national regulatory reform agenda.</p> <p>Continue leadership of the regulatory reform agenda in Queensland to coordinate red tape reduction and regulatory reform initiatives.</p>
Manage and coordinate the Queensland Government's contribution to intergovernmental forums and reviews to ensure national reforms deliver the best outcomes for Queensland.	<p>Continued implementing the Review of National Agreements, National Partnerships and Implementation Plans.</p> <p>Prepared the Government's submissions to the GST Distribution Review.</p>	<p>Contribute to the finalisation and implementation of the GST Distribution Review.</p> <p>Ensure, to the fullest extent possible, Commonwealth-State funding arrangements align with the <i>Intergovernmental Agreement on Federal Financial Relations</i>.</p>

### Financial summary

	2011-12	2010-11
State contribution	\$45.12 M	\$75.30 M
Other income	\$5.29 M	\$131.42 <sup>1</sup> M
Full-time equivalent employees	255	283

<sup>1</sup>2010-11 includes one-off transactions for the Commercial Transactions Team

# Government owned corporations (GOCs) performance and governance

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Strategy	Highlights	The year ahead
Analyse and monitor the commercial performance of the Government's portfolio of GOCs based on Statements of Corporate Intent negotiated between GOC boards and shareholding Ministers.	\$1.101 billion in dividends and tax equivalents which can be put towards essential services such as healthcare and education.	Collect a forecast \$1.308 billion in dividends and current tax equivalents to fund community services that benefit Queenslanders.
Monitor and assess GOC capital programs and asset holdings with the objective of maximising their capital utilisation and ensuring capital structures are appropriate and support approved capital expenditure plans.	<p>Oversaw the restructure of GOC generators with the generation portfolio being managed under a two generator structure from 1 July 2011.</p> <p>Supported the Electricity Network Capital Program (ENCAP) Review which identified a more cost-efficient network capital works program.</p>	<p>Monitor the results of the restructure to ensure efficiencies are realised.</p> <p>Oversee new performance and accountability frameworks for the generators that focus on improved revenue, cost efficiencies and plant performance.</p> <p>Monitor performance of energy network businesses to ensure greater efficiencies in the cost of capital works programs.</p> <p>Establish strategic objectives for Government-owned corporations, and work with GOCs to ensure those objectives are met.</p>

## Financial summary

	2011-12	2010-11
State contribution	\$5.79 M	\$4.94 M
Other income	\$0.45 M	\$3.07 <sup>1</sup> M
Full-time equivalent employees	32	34

<sup>1</sup> 2010-11 includes one-off transactions relating to the review of Government-owned electricity generators

# Economic and statistical research

Page 21

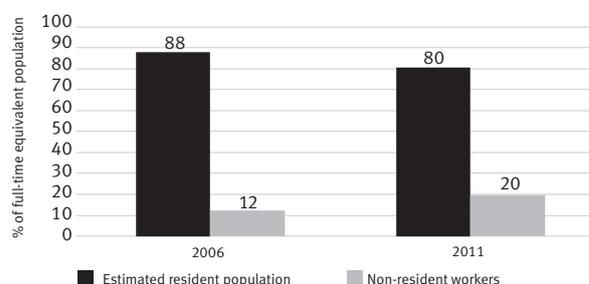
Strategy	Highlights	The year ahead
Supporting Treasury and Trade's analytical capabilities to inform advice on economic reform issues.	Analysed the economic impact of national reforms on Queensland.	Assist Treasury and Trade in analysing the infrastructure needs associated with economic development in regional Queensland.
Coordinating the activities of key statistics providers to establish and maintain an integrated statistical service across governments.	Implemented the new ABS Australian Statistical Geography in our statistical products. Assisted the ABS with validation of 2011 Census returns in remote communities.	Update our online statistical tools, including Queensland Regional Profiles and Indigenous Regional Profiles.
Providing a broad range of statistical services to support stakeholders' evidence base for policy evaluation and performance.	Released the <i>Bowen and Galilee Basins Population Reports</i> .	Update the <i>Surat Basin Population Report</i> .
Providing data, information and analysis for population dynamics and forecasts, residential dwelling activities and urban land supply.	Prepared housing and population projections on discrete geographic boundaries.	Update official Queensland Government population projections.

## Financial summary

	2011-12	2010-11
State contribution	\$15.14 M	\$13.01 M
Other income	\$6.62 M	\$5.85 M
Full-time equivalent employees	125	133

## Bowen Basin full-time equivalent population

Bowen Basin Population Report, 2011 edition, Office of Economic and Statistical Research.



**Analysis:** A study of the Bowen Basin, encompassing the Banana Shire, Central Highlands Regional Council, Isaac Regional Council and Whitsunday Regional Council (Bowen only) areas, reveals the changing nature of Queensland's mining communities. In 2006, full-time residents comprised 88 per cent of the population, and non-resident workers 12 per cent. By 2011, that balance had shifted, with the full-time population falling to 80 per cent and non-residents rising to 20 per cent.

# Revenue management

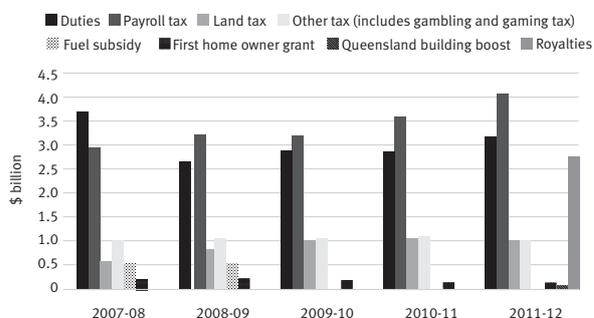
Strategy	Highlights	The year ahead
Position the Office of State Revenue as a leading e-business agency with excellent client support and firm and fair enforcement.	Of all self-assessed transactions for transfer duty, 99.7 per cent were lodged electronically. Eighty-two per cent of all payments and transactions for transfer duty were received electronically.	Transition further transactions to an e-business environment where appropriate.  Increase the focus on compliance to maximise revenue.
Provide responsive and ongoing legislation and revenue policy advice services to the State Government.	Managed \$12.4 billion in revenue and grants which contributed to the provision of essential and front-line services.  Implemented the 2011-12 State Budget revenue and grants measures.  Incorporated responsibility for royalty revenue collection into the Office of State Revenue.	Manage a forecast \$12.6 billion in revenue and grants, including unpaid fines and penalties.  Implement revenue and grants initiatives arising out of the 2012-13 State Budget, including for payroll tax, the transfer duty home concession and first home owner grant.  Review the operations of the State Penalties Enforcement Registry (SPER - now part of OSR), focussing on debtor engagement, how notices are served, the use of professional agents to reduce the debt pool, and SPER's data matching and business intelligence needs.
Further develop the Revenue Management System (RMS) to support innovative business practices.	Continued improvement and leveraging of investment in RMS.  Incorporated interest collected by financial institutions on trust accounts held on behalf of licensees regulated under the <i>Property Agents and Motor Dealers Act 2000</i> .	Continue to enhance the business intelligence capability by introducing technology.  Partner with other Government agencies to provide innovative solutions for grants management.

## Financial summary

	2011-12	2010-11
State contribution	\$80.36 M	\$67.98 M
Other income	\$2.83 M	\$4.85 M
Full-time equivalent employees	529 <sup>1</sup>	445

<sup>1</sup> Increased due to the inclusion of SPER from the machinery-of-Government transfers

## Total revenue and grants under management



**Analysis:** During 2011-12 revenue from payroll tax increased, while land tax and other taxes (including gambling and gaming taxes) fell marginally. An improvement in duties revenue can be attributed to two extraordinary transactions during the year. In 2011-12 responsibility for royalties transferred to Treasury and Trade.

# Trade and investment

Page 30

Strategy	Highlights	The year ahead
Demonstrate Queensland's readiness to engage in trade, investment and business activities.	<p>Conducted the 2011 Premier of Queensland's Export Awards to recognise and promote export and global expansion opportunities.</p> <p>Established representatives in Ho Chi Minh City and Beijing to service growing business opportunities in south-east Asia and northern and western China.</p> <p>Established a presence in Belo Horizonte, south-eastern Brazil.</p>	<p>Launch the 2012 Awards program.</p> <p>Explore opportunities to expand business partnerships in Asia, Africa and Papua New Guinea.</p>
Help business pursue export, international investment and global expansion opportunities.	<p>Helped over 3,000 firms – many in regional Queensland – with export advice, in-market support and participation at trade missions and events.</p> <p>Delivered the Handshakes business matching program at Beef 2012, generating enquiries for live animals, genetics, equipment, joint partnerships and investment in the beef industry.</p> <p>Established the Queensland India Council, an independent advisory body, of business, community and academic representatives to advise on trade, investment, education, business and cultural matters.</p>	<p>Continue direct support for Queensland businesses.</p> <p>Leverage on the opportunities arising out of the Handshakes program.</p> <p>Use the Council's extensive knowledge base to grow the increasingly important Queensland-India relationship.</p>

## Financial summary

	2011-12	2010-11 <sup>2</sup>
State contribution	\$5.65 <sup>1</sup> M	\$- M
Other income	\$0.12 M	\$- M
Full-time equivalent employees	124	-

<sup>1</sup> 2011-12 includes transactions from 1 May - 30 June 2012.

<sup>2</sup> Trade and Investment Qld transferred to Treasury in April 2012.

## Our services

# Financial and economic policy

Treasury Office's fundamental role is to manage the State's finances, advance the performance of the Queensland economy, and provide policy, strategies and advice at a whole-of-Government level to promote value-for-money service delivery.

## Our clients

Treasury Office advises and supports the Premier, Treasurer and Minister for Trade and the Assistant Minister for Finance, Administration and Regulatory Reform.

For all Government agencies, other levels of government and statutory authorities, and Queensland business and community we provide advice and support on:

- fiscal and economic policy
- policy and advice on financial management
- accounting, budgetary matters, legislation and project evaluation
- water entities and water reforms
- Queensland's business regulation and competition reform agenda
- carbon pricing.

## Our structure\*

Under Treasurer	Helen Gluer
Deputy Under Treasurer	Alex Beavers
A/Deputy Under Treasurer	Ken Sedgwick
Assistant Under Treasurer	Ian Munro
Director, Commercial	Liam Gordon
Director, Financial Management	Sue Highland
Director, Infrastructure Projects Assessment	Graeme Garrett
Assistant Under Treasurer	John O'Connell
Director, Transport, Agriculture, Government Services and Science	Drew Ellem
Director, Resources and Economic Development	Natalie Barber
Assistant Under Treasurer	Dr Gary Ward
Intergovernmental Relations	
Assistant Under Treasurer	Dennis Molloy
Director, Fiscal and Taxation Policy	Leigh Pickering
Macroeconomics Team	
Assistant Under Treasurer	Walter Ivessa
Director, Health and Community Services	Janelle Thurlby
Director, Education and Justice	Lynne Bulloch
Assistant Under Treasurer	
Director, Economic and Structural Policy	Tania Homan
Director, Regulatory Review	Katrina Martin

\* as at 30 June 2012

## Key issues in our environment

The continuing effects of the global financial crisis and remaining challenges from State-wide natural disasters continue to place pressure on the capacity of Government to deliver its commitments.

The Commission of Audit into the State's finances presented its interim report to the Premier and Treasurer in June 2012. The Audit has significant implications for future fiscal policy and the 2012-13 State Budget. This report outlined strong concerns for the State's level of debt and spending, and urged the Government to respond accordingly in the forthcoming State Budget. The Government's Interim Response to the Audit committed to stabilising debt and achieving a fiscal balance by 2014-15. The Commission is due to provide further recommendations in November 2012 and a final report by February 2013.

Following a decision of Cabinet in late 2011-12, Commercial Services Division will be transformed into Projects Queensland during 2012-13, with a mandate to drive greater value for money from the Government's infrastructure program and service delivery.

## Vision

Our vision is for Queensland's long-term fiscal and economic performance to lead Australia.

## Mission

We strive for this by:

- providing leadership in financial and economic policy development
- advancing the performance of the Queensland economy to support growth and employment
- maintaining the integrity of the State's finances with reference to the Government's fiscal strategy
- promoting value-for-money service delivery which meets Queenslanders' needs.

## Performance highlights

Service standards	2011-12 published annual target	2011-12 actual
Achievement of fiscal objectives as described in the <i>Charter of Fiscal Responsibility</i>	Partial	Partial
Other measures		
Quarterly report on financial position completed within six weeks of quarter end	4	4
Compliance with the Uniform Presentation Framework requirements and relevant Australian Accounting Standards for whole of government financial reporting	100%	100%
Achievement of key milestones in the Budget process	100%	100%
Achievement of key milestones in the Report on State Finances process	100%	100%
Data provision to the Commonwealth Grants Commission and Australian Bureau of Statistics within agreed timeframes	100%	100%
Total cost of portfolio resource allocation advice	\$22.15M	\$22.5M

## Goal

**Restore the State's financial position by meeting the Government's revised fiscal principles while managing the continuing effects of the global financial crisis.**

## Strategy

*Manage and coordinate the State Budget process and achieve a sound fiscal position.*

### Economic and fiscal leadership drives recovery

To help improve Queensland's fiscal position we provide timely and accurate advice to Government on key financial aggregates and rigorously assess the benefits of spending decisions in the State Budget.

During 2011-12, we commenced the process to deliver the 2012-13 State Budget. The Government has deferred the delivery of the Budget to September 2012 to enable the restructure of departments to be finalised and for the Commission of Audit's Interim Report to be considered.

The *2011-12 Mid-Year Fiscal and Economic Review* was released in January 2012. We also reported our evaluation of the State's financial operations and position in the *2010-11 Report on State Finances*, an integral element of the Government's fiscal transparency regime.

In the year ahead, we will coordinate delivery of the 2012-13 State Budget and develop the 2013-14 State Budget. Accountability and transparency in the State's finances will continue through our regular reports on the State's financial operations and position, including the 2011-12 Report on State Finances and the 2012-13 Mid-Year Fiscal and Economic Review.

## Strategy

*Providing financial advice to foster State-wide infrastructure development.*

### Better planning leads to better infrastructure

A focus on transparency and service delivery continued in 2011-12 as we sought better value for taxpayers in procuring infrastructure.

We provided financial and commercial advice on infrastructure projects being progressed through the Value for Money and Project Assurance Frameworks.

In 2011-12 we reviewed private finance options for port and water supply infrastructure to accommodate a growing coal industry and assisted Government-owned corporations (GOCs) to move these projects ahead.

In the year ahead, we will establish Projects Queensland to encourage private investment in State infrastructure. Projects Queensland will take on project management responsibilities for potential public private partnership projects, other traditionally financed infrastructure projects with a capital cost greater than \$100 million (except 'standard' road projects) and GOC infrastructure projects with private finance potential. Projects Queensland will also actively engage with the private sector to develop funding models to encourage private investment in infrastructure. This represents a significant change to the way major infrastructure projects are delivered across the public sector.

### Savings for Queenslanders

During the year, we commenced the process to amalgamate Queensland's bulk water entities, to reduce water prices for consumers. Our contribution to savings for Queenslanders continued with legislation to support the Government's cost of living package, including initiatives targeting home electricity costs, concession duty for homebuyers and vehicle registration.

## Strategy

*Lead Queensland's regulatory agenda by managing and implementing reforms to reduce regulatory burden.*

### Assessing Queensland's regulatory regime

To streamline new and existing regulation and cut red tape for business, we stand by the Government's commitment to regulatory reform.

During 2011-12, Treasury and Trade established the Office of Best Practice Regulation (OBPR) within the Queensland Competition Authority. From July 2012, responsibility for assessing the adequacy of regulatory impact statements will transfer from Treasury and Trade to this new body.

The Office of Best Practice Regulation will review and publish reports on departments' regulatory impact statements (RISs) for new legislation and regulations and publish an annual report of departmental performance against regulatory burden benchmarks. The office will also establish a process to review the stock of existing regulations, undertake in-depth reviews, principles-based reviews and benchmarking exercises.

In line with the establishment of OBPR, changes to the RIS system will be implemented in 2012 to strengthen Queensland's regulatory practices.

Throughout the year, we continued our leadership of Queensland's commitments under the National Partnership Agreement (NPA) to deliver a Seamless National Economy and promoted Queensland's position in negotiations with the Commonwealth and other states and territories on the 36 reform areas under the NPA.

Queensland's achievement in implementing the NPA was recognised by the Australian Government with the maximum reward payment of \$41 million. This will be used to enhance frontline service delivery.

A priority under the NPA over the coming year will be implementing the remaining reforms to ensure Queensland receives the maximum \$51 million reward payment in 2012-13. We will also be developing, in conjunction with the Department of the Premier and Cabinet and other jurisdictions, the new national competition and regulatory reform agenda. This agenda is expected to be considered by the Council of Australian Governments (COAG) in December 2012.

## Strategy

*Manage and coordinate the Queensland Government's contribution to intergovernmental forums and reviews to ensure national reforms deliver the best outcomes for Queensland.*

### Our commitment to the national agenda

Australia's National Partnership Agreements call on the states to achieve specific outcomes in areas such as social services, resource industries and employment.

Our work in 2011-12 included continuing to implement the Heads of Treasuries Review of National Agreements, National Partnerships and Implementation Plans.

Of particular focus were those recommendations concerning performance frameworks for each of the six National Agreements (NAs):

- healthcare
- skills and workforce development
- education
- affordable housing
- disability
- Indigenous reform.

The revised performance frameworks for each agreement will reinforce COAG's commitment to enhancing performance and public accountability.

We will maintain a keen watch on Commonwealth-State financial arrangements by overseeing and reporting on the operation of the Intergovernmental Agreement on Federal Financial Relations in Queensland.

### GST – a major impact on Queensland's economy

Securing an equitable distribution of GST is a primary concern for Treasury and Trade. In 2011-12 we prepared the Queensland Government's submissions to the GST Distribution Review, an Australian Government initiative with significant implications for the finances of states and territories. Further, Treasury and Trade also supported the Treasurer's contribution to the Australian Government's Tax Forum in October 2011.

The finalisation of the GST Distribution Review will remain an important focus for Treasury and Trade in 2012-13, as will supporting the Treasurer's contribution to forums such as the Standing Council on Federal Financial Relations and COAG. Our interest is in ensuring effective and efficient administration of Commonwealth-State funding arrangements and that to the fullest extent possible these arrangements are aligned with the *Intergovernmental Agreement on Federal Financial Relations*.

## Improving Queensland's fiscal outlook

The Commission of Audit interim report was released in June 2012 and recommended ways to strengthen the Queensland economy, improve the State's financial position and ensure value for money in the delivery of frontline services.

The report will be a key influence on our financial and economic policy objectives. The Commission's initial findings were:

- Queensland's expense growth outpaced revenue growth between 2006-07 and 2010-11, leading to a gap between receipts and spending which has necessitated substantial borrowing.
- Queensland's balance sheet has been eroded by an increase in gross debt, estimated to be approximately \$64 billion in 2011-12, expected to reach \$92 billion in 2015-16 and climb to \$100 billion by 2018-19 if the existing policy settings were to be maintained.

The Commission made a number of recommendations in relation to the fiscal strategy for the 2012-13 State Budget, including targeting a fiscal (rather than operating) surplus in 2014-15.

In July 2012, the Queensland Government published its response to the Commission's Interim Report, which established the following revised fiscal principles to guide Queensland back to fiscal strength:

- Stabilise then significantly reduce debt – measured with reference to the ratio of debt to revenue.
- Achieve and maintain a General Government sector fiscal balance by 2014-15 – consistent with the Commission of Audit's recommendation.

- Maintain a competitive tax environment for business.
- Target full funding of long term liabilities such as superannuation in accordance with actuarial advice.

Implementing these principles has significant implications for the 2012-13 Budget, with the Queensland Government committing to implementing savings and other measures as required to achieve a fiscal balance in 2014-15.

The Commission of Audit's interim recommendations and final report will be published on [www.commissionofaudit.qld.gov.au/](http://www.commissionofaudit.qld.gov.au/)

# Government owned corporations performance and governance

The Office of Government Owned Corporations (OGOC) manages the State’s interest in the Government-owned corporations (GOC) sector to maximise the Government’s return on investment balanced with reliable, efficient and secure service delivery outcomes; delivering market-comparable returns to shareholders; and adhering to corporate governance guidelines and statutory requirements.

## Our clients

Our main clients are shareholding Ministers and Government.

The services we provided include:

- providing critical analysis and performance monitoring of GOC operations and investments, ensuring a focus on GOC cost efficiency and performance accountability and ensuring a rigorous GOC governance regime
- developing strategic advice regarding the GOC sector, as well as advising GOCs of shareholding Ministers’ requirements and decisions, and facilitating their implementation
- providing oversight, high-level advice and leadership on strategic policy, governance, budgetary and fiscal issues affecting GOCs.

## Our structure\*

Under Treasurer	Helen Gluer
Deputy Under Treasurer	Alex Beavers
Acting Deputy Under Treasurer	Ken Sedgwick
Acting Executive Director	Pauline Elliott
Deputy Executive Director	Bill Brett
Acting Deputy Executive Director	Michael Mamczur
Director, Transport, Resources and Corporate	John Lawlor
Director, Strategic Advisory	Reg Prakash
Acting Director, Energy	Kirsten Vagne and Tahnee Booth

\* as at 30 June 2012

## Vision

To provide high-level commercial, strategic and policy advice in relation to the Government’s portfolio of GOCs.

## Mission

To lead the management of the State’s interest in its GOCs, with the aim of achieving market-comparable returns on that investment, while at the same time ensuring GOCs provide high-quality infrastructure and related services and meet appropriate corporate governance standards.

## Key issues in our environment

Volatility in global commodity prices could have either a positive or negative effect on significant mining developments and the associated infrastructure projects being developed by water, power and port GOCs.

As the scope and complexity of significant infrastructure projects increases, so too does the risk profile of the projects and the managing GOCs. Coupled with a constrained financial environment, this complexity and risk must be managed with greater diligence in business case and funding option analysis.

Energy generator GOCs continue to face difficult market dynamics, including the vertical integration of retailers and an oversupplied market. There is also significant uncertainty about how a growing liquefied natural gas industry and the introduction of carbon pricing will impact on demand and supply forces.

GOC electricity network businesses have an opportunity to respond efficiently and effectively to the findings of the Government's Interdepartmental Committee on Electricity Sector Reform and the associated Independent Review Panel. These bodies will be looking at electricity pricing, energy supply and solutions for providing a secure, cost-effective network.

## Performance highlights

Service standards	Notes	2011-12 published annual target	2011-12 actual
Cost of monitoring and governance per GOC	1	\$0.3M	\$0.27M

Other measures			
Percentage of GOC Statements of Corporate Intent (SCI) completed by 30 June	2	95%	0%
Percentage of quarterly performance monitoring reports completed within six weeks		100%	100%

### Variations

- 1 Decrease due to savings achieved in final quarter of 2011-12.
- 2 Decrease due to proposed Statements of Corporate Intent not being approved by shareholding Ministers prior to 30 June 2012. Documents were prepared based on previous Government's expectations for GOC sector and Government has requested that GOC Boards resubmit their plans to align with the Government's agenda.

## The 12 Government-owned corporations

### Energy

- CS Energy Limited
- Energex Limited
- Ergon Energy Corporation Limited
- Queensland Electricity Transmission Corporation Limited (Powerlink Queensland)
- Stanwell Corporation Limited

### Funds management

- QIC Limited

### Rail

- Queensland Rail Limited

### Water resources

- SunWater Limited

### Ports

- Far North Queensland Ports Corporation Limited
- Gladstone Ports Corporation Limited
- North Queensland Bulk Ports Corporation Limited
- Port of Townsville Limited

## Goal

**Ensure Government resources achieve value for money, are directed to services that improve the quality of life of the community, and are delivered efficiently and equitably.**

## Strategy

*Analyse and monitor the commercial performance of the Government's portfolio of GOCs based on Statements of Corporate Intent negotiated between GOC boards and shareholding Ministers.*

### Clear goals, measurable results

Each year we manage negotiations between GOC boards and their shareholding Ministers to develop their formal performance agreements, or Statements of Corporate Intent (SCI).

While SCIs detail objectives, strategies, expected financial performance, borrowings and proposed projects for the year ahead, GOCs' five-year corporate plans guide their longer-term strategic direction. In 2011-12 we worked closely with GOCs on their corporate plans to ensure a series of strategies were in place to continually improve performance.

Together these documents provide a transparent measure of GOCs' financial and non-financial objectives, against which performance can be evaluated. Our involvement in managing the negotiations ensures GOCs' performance targets support the Government's strategic objectives and provide an appropriate return on investment for the community.

In 2012-13 we will also continue to closely monitor GOCs to ensure their financial and non-financial performance targets are being met. Our approach will include an increasing focus on improving efficiency and commercial returns.

### Infrastructure profits funding our communities

Central to GOCs' business operations is maximising return on investment to pay dividends to the business owners – the Queensland community.

In 2011-12 GOCs provided \$1.101 billion in dividends and tax equivalents which can be put towards essential services such as healthcare and education.

In 2012-13 we will increase our focus on maximising returns from GOCs and forecast dividends and current tax equivalents of \$1.308 billion. These returns will continue to fund community services that benefit Queenslanders.

## Strategy

*Assess the response of port GOCs to infrastructure requirements to meet resource sector export growth requirements.*

### Expanding infrastructure boosts Queensland's economy

As demand for our resources grows, so too does the need for our infrastructure capacity to keep pace. Queensland's ports are a strategic asset and their expansion plays a central role in the State's economic development.

#### Gladstone

In 2011-12 we reviewed and monitored Gladstone Ports Corporation Limited's (GPC) expansion and assessed the related investment approvals. GPC is undergoing a dredging program to ensure the shipping channels are deep and wide enough to accommodate expected traffic.

The port expansion was critical for the new privately funded coal export terminal Wiggins Island Coal Export Terminal Pty Limited (WICET). Final agreement on WICET was reached on 30 September 2011, and the terminal is now being constructed. GPC will operate the new terminal.

In the coming year we will have an ongoing role monitoring the range of current and planned port expansion projects at the Port of Gladstone, helping ensure approved projects are delivered on time and budget.

#### Abbot Point

The proposed expansion of the Port of Abbot Point includes plans to expand Terminal 1 and add Terminals 2 and 3 to the port. In 2011-12 we assessed the proposed port expansion and establishment of framework agreements with BHP Billiton Limited and Hancock Coal Pty Ltd who have been awarded preferred developer status for Terminals 2 and 3.

#### Mount Isa/Townsville rail network

Meeting international demand for resources requires more than increased capacity at our ports. In 2011-12, in conjunction with a range of stakeholders we assessed best practice planning for rail and port development in the Mount Isa to Townsville supply chain. This will help ensure there is sufficient rail infrastructure between the mines and the ports.

In 2012-13 we will continue to assess the proposed projects and will work with stakeholders and GOCs to create a detailed supply chain demand model showing the infrastructure and potential funding requirements for different resource demand scenarios.

## Strategy

*Monitor and assess investment and funding proposals focussing on risks and financial returns to ensure only commercially viable projects which meet customer expectations are undertaken.*

### Infrastructure projects analysis

Significant projects proposed by GOCs are always reviewed to determine the most efficient and equitable way to deliver them, and to ensure they add value to the community.

In 2011-12 we assessed alternative funding models for major port and water infrastructure projects. Our aim was to increase private sector funding as collaborative funding models can improve the economic outcomes for major infrastructure projects.

One of the projects we assessed in 2011-12 was SunWater Limited's (Sunwater) investment in water infrastructure to determine whether it was sufficient to support the coal and coal seam gas sectors.

During 2011-12 SunWater completed the Kenya to Chinchilla Pipeline to provide additional water supply to the Chinchilla district from local coal seam gas projects. SunWater also expanded the Burdekin to Moranbah pipeline, increasing water supply from the Gorge Weir to mining customers along the pipeline route. Both projects have improved the supply of an essential resource to local businesses helping them grow and contribute to the economy. We were involved in assessing the commercial viability of these projects and monitoring their progress.

In 2012-13 we will continue to assess proposed projects and monitor current projects analysing their financial implications and funding options.

### Managing investment and venture risks

In 2011-12 we implemented the revised Investment Guidelines for Government Owned Corporations and the new GOC Guidelines for Joint Venture Agreements. These documents outline the key principles for GOCs to adopt when investing or contemplating joint venture agreements. Importantly, these documents ensure GOC investments and joint venture agreements occur in a way that does not compromise the Government's strategic direction.

In 2012-13 we will monitor GOCs' compliance with these guidelines when assessing their investment proposals and joint venture arrangements. This will ensure contractual risks are contained so GOCs can continue to provide the greatest benefit to Queensland.

## Strategy

*Monitor and assess GOC capital programs and asset holdings with the objective of maximising their capital utilisation and ensuring capital structures are appropriate and support approved capital expenditure plans.*

### New cost model for rail efficiency

To ensure GOC assets were delivering value for money, in 2011-12 we commissioned capital structure reviews of GOCs.

The review of Queensland Rail Limited (Queensland Rail) showed the original cost model, prepared for that organisation before it separated from the now publicly listed QR National on 1 July 2010, had become outdated.

In 2011-12 we worked closely with Queensland Rail, the Department of Transport and Main Roads and Queensland Treasury Corporation to develop a new cost model for Queensland Rail.

By examining its business operations and expenses Queensland Rail was able to produce a more accurate cost model that enables it to better plan for service delivery of its above-rail operations. The new model will also be used to measure the efficiency of Queensland Rail's service delivery and to benchmark its performance against similar providers in Australia and overseas.

In 2012-13 we will expand the cost model to Queensland Rail Limited's below rail business.

### Restructure secures generators' future

One of the key recommendations of the Shareholder Review of Government-Owned Generators was for the generation portfolio to be managed under a two generator structure comprising Stanwell Corporation Limited/Tarong Energy Corporation Limited and CS Energy Limited (CS Energy). This recommendation was made to maximise the assets' economic lives and the jobs they support. The merger occurred on 1 July 2011.

In 2012-13 we will closely monitor the results of this restructure to ensure efficiencies are realised. The performance and accountability frameworks for the generators will specifically focus on improved revenue, cost efficiencies and plant performance. The successful restructure of energy generators will provide better value for money service for all Queenslanders.

## Balancing reliability and cost of electricity supply

Managing the State's electricity supply involves having sufficient and reliable supplies for peak periods without over investing in non-peak capacity.

This process includes assessing the cost efficiency of our energy generators. In 2011-12 we reviewed a report on the reliability of Kogan Creek Power Station to identify reliability improvements. In the year ahead we will monitor all energy GOCs to ensure they are maintaining or improving the reliability of electricity generation, with a particular focus on CS Energy's strategies in response to the report.

## Contemporary energy distribution delivers big savings

An increasing focus on the State's balance sheet and the efficiency of capital works funding led to the Electricity Network Capital Program (ENCAP) Review which investigated capital spending programs within Queensland's GOC electricity distribution network businesses. We facilitated and supported this review which was handed down in December 2011.

The review recommended a more flexible and mobile approach to electricity distribution. Using contemporary distribution methods such as mobile generators will give electricity distributors more efficient and cost-effective delivery options.

The review also found security standards could be changed to reduce future capital expenditure without affecting the existing network's performance. Overall the review identified \$1.345 billion of combined energy capital works savings that could be made between 2011-12 and 2015-16, substantially reducing GOCs' borrowing requirements.

In 2011-12 we helped implement the review recommendations approved by Government, and in the year ahead we will continue to look for opportunities to achieve efficiencies identified in the ENCAP Review. We will be leveraging ENCAP outcomes through performance monitoring that reinforces electricity distributors reducing overheads, stabilising capital expenditure growth, and achieving greater efficiency in the cost of capital investment in networks.

This approach will ensure Queensland maintains a robust and reliable electricity network that effectively manages costs and efficiently delivers electricity.

# Economic and statistical research

The Office of Economic and Statistical Research (OESR) provides high quality and fit-for-purpose statistics and research to improve planning, decision making, policy development, performance evaluation and resource allocation for Queensland.

## Our clients

OESR provides services internally to Queensland Treasury and Trade and the Queensland public sector at large, and liaises and works with other jurisdictions.

We also provide ‘public good’ services, primarily statistics and other information, to the Queensland community.

## Our structure\*

Under Treasurer	Helen Gluer
Deputy Under Treasurer	Alex Beavers
Acting Deputy Under Treasurer	Ken Sedgwick
Executive Director and Government Statistician	Dr Gary Ward
Director	Antony Skinner
Assistant Government Statistician (Urban Development and Resource Communities)	Ross Barker
Assistant Government Statistician (Statistical Collection, Integration and Analysis)	Penny Marshall
Assistant Government Statistician (Business Services)	Sarah Sawyer
Assistant Government Statistician (Economics, Demography and Information Services)	Greg Watts

\* as at 30 June 2012

## Key issues in our environment

As predicted, Queensland’s resources boom continues to shape our State’s economic and social landscape. Increasing demand for information on the non-resident workforces of the mining industry to inform infrastructure needs remains a prevailing trend.

Understanding where and how our population and economy is growing and what services and infrastructure are needed is key to making sound infrastructure decisions. The Government’s commitment to investing in better infrastructure and planning will fuel demand for surveys, State and regional statistics, other demographic information, land supply data and other statistical analyses to contribute a rigorous evidence base for Government programs.

Cross-sector collaboration – within our own sphere and with our counterparts in other jurisdictions, business and industry – continues to prove its worth in improving the collection, quality and delivery of statistics and economic and social information.

## Vision

Supporting better decision making to advance Queensland.

## Mission

To provide statistics and objective economic, demographic and statistical advice to support better decision making across the State.

## Performance highlights

Service standards	Notes	2011-12 published annual target	2011-12 actual
Stakeholder and client satisfaction with outputs (rated satisfied or very satisfied)		95%	100%
Other measures			
Responses to requests for information		4,600	4,384
Formal products and services delivered to Treasury Office	1	75	58
Formal products and services delivered to other clients	2	400	307
Delivery of outputs within timeframes agreed with clients (excludes internet services)		95%	100%
Variances			
1 Decrease reflects impact of caretaker Government period.			
2 Decrease is result of increased number of sizeable surveys delivered which has reduced total number of surveys able to be undertaken. In addition, clients were awaiting first 2011 Census data release which provides more current data.			

## Goal

**Ensure Government resources achieve value for money, are directed to services that improve the quality of life of the community, and are delivered efficiently and equitably.**

### Strategy

*Supporting Treasury's analytical capabilities to inform advice on economic reform issues.*

#### Contributing to the big picture

The State Government's response to national reforms that impact directly on our economy depends on rigorous analysis and economic modelling. Our work on analysing the impact of the carbon tax, for example, began at its inception and will continue after its implementation from 1 July 2012. During the year, we also assisted the Australian Government to improve the quantitative analysis of COAG Seamless National Economy initiatives.

As economies grapple with the lessons learned from the global financial crisis and ongoing instability, productivity is increasingly gaining attention. During the year, we released updated estimates of Queensland's productivity performance and began researching productivity in specific industries such as mining.

Our expertise in economic and statistical research is frequently used by other agencies to tackle specific issues in planning and decision making. In the year ahead, in our response to the Government's objectives for the community, we will use our modelling framework to identify infrastructure needs associated with economic development in regional Queensland.

### Strategy

*Coordinating the activities of key statistics providers to establish and maintain an integrated statistical service across governments.*

#### Pinpointing our knowledge

The more localised data are, the more useful they are to our clients. In 2011-12 we implemented the new Australian Bureau of Statistics Australian Statistical Geography Standard in our products. This new standard, with its smaller geographical areas, allows agencies to 'drill down' to more detailed areas to get closer to particular communities.

We helped the ABS validate the 2011 national Census of Population and Housing returns in remote communities to improve the Census count. In the coming year, Census data will start to be released. We will use these data to update our online statistical tools, including Queensland Regional Profiles and Indigenous Regional Profiles, providing efficient access to statistics for government agencies and the community at all levels of standard geography.

With our expertise in economic and statistical research, we make a significant contribution to the whole-of-Government Multicultural Action Plan. During the year, we established a working group to identify the data collection and analysis services the Government needs to support culturally and linguistically diverse communities.

In the year ahead we will continue working with the group to improve statistics on multicultural communities.

An important resource in this work will be the results of the 2011 Census. We will use those data to help the Department of Aboriginal and Torres Strait Islander and Multicultural Affairs update their statistical snapshot of Queensland's multicultural population.

### Strategy

*Providing a broad range of statistical services to support stakeholders' evidence base for policy evaluation and performance.*

#### Understanding resource communities

Resource communities may be the 'face' of Queensland's mining boom, but they are also places where people have lived and raised families for generations. While the economic benefits of the mining boom are understood, it is also a given that these communities are feeling the effects of the cumulative growth impacts of non-resident (fly in/fly out) workforces, such as accommodation and housing demand, availability and affordability.

Since 2010-11, our demographers have been driving the Resource Communities Research Program, which will help Government manage the significant impacts felt by mining communities.

During the year, the program released the *Bowen and Galilee Basins Population Report*, which contained projections of non-resident workers and full-time equivalent population to 2018. Analysing the issues identified in this report and the forthcoming updated Surat Basin Population Report will allow the Government to address these issues while retaining the economic benefits mining brings to communities.

## Strategy

*Providing data, information and analysis for population dynamics and forecasts, residential dwelling activities and urban land supply.*

### Projections help plan for the future

Our clients – other government agencies, service providers and private organisations – come to us for projections of housing, land supply and population data on discrete geographic boundaries specific to their planning needs, such as school catchment areas. This is an ongoing body of work for us, and in 2011-12 we produced estimates of land supply in regional Queensland centres to inform planning for economic development.

In 2012-13, we will begin updating the official Queensland Government population projections with benchmarks from the 2011 Census and revised assumptions on migration, births and deaths.

## Strategy

*Enhancing and expanding official surveys and methodology capabilities.*

### Increasing our own productivity

The range of surveys conducted during the year included surveys on education, gambling, transport, biosecurity, community resilience and various industry sectors. Results from these surveys are used by our clients to inform planning and assist in decision making.

As demand for research such as this increases, so does scrutiny over our productivity and efficiency. In 2012-13, we expect to maintain Quality Assurance certification and realise productivity and efficiency improvements in the conduct of our surveys.

## Mapping the next step for young Queenslanders – our statistical services give the big picture

What happens when a young person leaves school – what is the next step in their journey? The answer is important not only for the school leaver themselves, but also for educators, service providers and employers seeking skilled workforces.

OESR is the principal source of statistics and research for the Queensland Government. Our people – economists, statisticians and demographers – provide reliable statistics so agencies can make informed policy and service-level decisions.

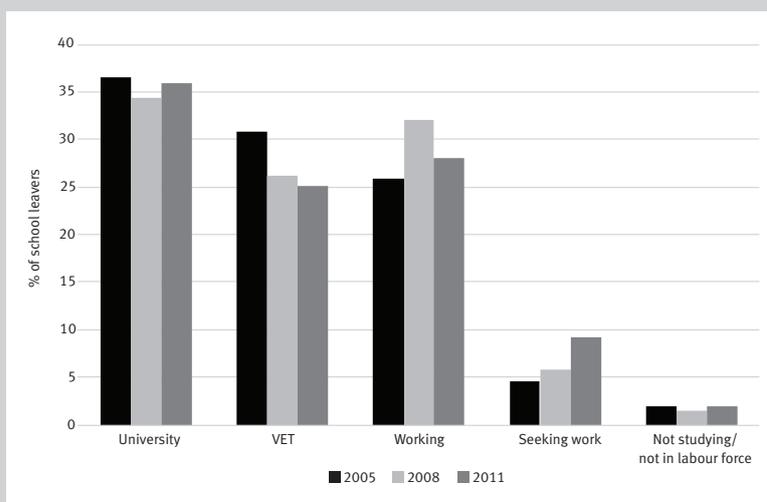
In 2011-12, for the Department of Education, Training and Employment (DETE) we conducted the *Next Step Survey* to collect information about the study, training and employment destinations of young people after leaving school.

The survey found that 60.9 per cent of students who completed year 12 continued in some recognised form of education or training in the year after they left school.

This and other results from this survey are informing school principals, teachers and guidance officers on where school leavers are going after they leave school, and what services they and their families will need.

In addition to surveys such as Next Step, our population projections for the whole of Queensland and at increasingly detailed regional levels allow education, health, police and many other services to be directed where and when they are needed. Many of our statistics and online tools are available now at [www.oesr.qld.gov.au](http://www.oesr.qld.gov.au)

### Destination of Queensland school leavers



Source: Next Step Survey, Department of Education, Training and Employment, 2011.

Analysis: Over the period 2005 to 2011, around 90 per cent of Queensland school leavers were either studying or working. The proportion of school leavers attending university has remained steady at around 35 per cent while those entering the labour force (either working or seeking work) has risen from 30.5 per cent in 2005 to 37.1 per cent in 2011.

# Revenue management

The Office of State Revenue (OSR) manages Queensland’s revenue base by delivering and administering simple, efficient and equitable revenue management services for State taxes, royalty revenue and grant schemes. OSR works with the State Penalties Enforcement Registry (SPER) to manage the State’s collection of fines and penalties.

## Our clients

OSR works with Queensland taxpayers, grant recipients, their agents and professional advisors, and now through SPER, with Queensland fines and penalties debtors, prosecuting authorities and victims of crime to help them meet their obligations and receive their entitlements.

We also provide legislative and policy advice, revenue forecasting and trend analysis to the Queensland Government.

## Our structure\*

Under Treasurer	Helen Gluer
Deputy Under Treasurer	Alex Beavers
Acting Deputy Under Treasurer	Ken Sedgwick
Commissioner and Executive Director	David Smith
Deputy Commissioner	Martin Schwede
Director, Business Development	David Elson
Director, Collections and Analysis	Liz Wells
Director, Review and Intelligence	Richard Jolly
Deputy Commissioner	Allan Mason
Director, Policy and Complex Investigations	Melinda Kross
Director, Royalty	Simon McKee
Director, Strategic Management	Wendy Joosen
Deputy Commissioner	Tony Kulpa
Director, Business Revenue	Helen Wootton
Director, Land Revenue	Liam Cooke
Registrar, State Penalties Enforcement Registry	Paul Murray

\* as at 30 June 2012

## Key issues in our environment

The uncertain global economic environment will impact on our revenue collections, including property transfer duty, royalties and unpaid fines and penalties. This will require OSR, now incorporating SPER, to continue providing flexible options for our clients and firm and fair enforcement. Read more about SPER on pages 28 and 29.

The 2012-13 State Budget will demand a rapid response, including new systems and processes, to ensure seamless, efficient and transparent administration and accountability.

The number of clients requiring assistance from OSR to determine whether they are within scope of a taxation or grants regime is increasing, as is the volume of payments and debt requiring follow-up. OSR will manage increasing workloads with efficiency measures, innovation through technology and targeted communication and education with clients and stakeholders.

## Vision

Excellence

## Mission

We manage revenue, through our committed, professional people to:

- link the Government and the community
- support the Government's social and fiscal responsibilities
- help members of the community meet their obligations and receive their entitlements.

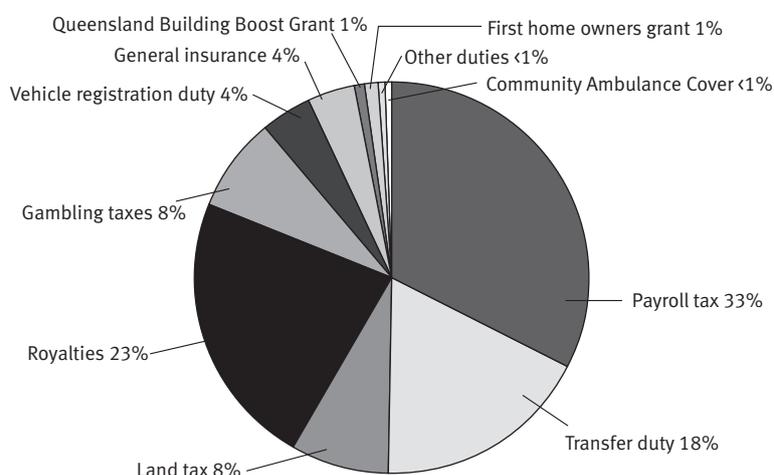
## Performance highlights

Service standards	Notes	2011-12 published annual target	2011-12 actual
Client satisfaction with services provided	1	70%	69%
Total revenue dollars administered per dollar expended – accrual	1, 2	\$218	\$204
Average overdue debt as a percentage of total revenue collected	1	1.4%	1.5%
SPER clearance rate (finalisations/ lodgements)	3	71%	76%
SPER percentage of debt pool under compliance	4	60%	52%
Other measures			
Amount of revenue, grants and subsidies administered	1	\$12.7B	\$12.4B
Number of First Home Owner Grant (FHOG) applications paid	5	16,785	19,657
FHOG applications processed within service standards		95%	100%
Percentage of investigations performed within standards	1	90%	89%
Percentage of lodgements and payments received electronically	1	70%	77%

### Variations

- 1 Measures developed prior to machinery-of-Government transfer of State Penalties Enforcement Registry (SPER) into revenue management service, and therefore exclude SPER.
- 2 Decrease primarily due to weaker than expected revenue collection from key sources including duties and royalties.
- 3 Increase due to increase in unpaid community service as a result of improved education and engagement with disadvantaged and vulnerable debtors and debt write offs.
- 4 Decrease due to higher rate of lodgements and backlogs in sending out Reminder Notices and Driver Licence Suspension notifications. Backlogs influence volume of debts managed through compliance and enforcement activities.
- 5 Increase due to stronger than anticipated first home owner demand.

### Office of State Revenue administered revenue 2011-12



**Analysis:** Of total administered revenue of \$12.4 billion, transfer duty, payroll tax and royalties accounted for three-quarters, equating to \$9 billion.

## Goal

**Ensure Government resources achieve value for money, are directed to services that improve the quality of life of the community, and are delivered efficiently and equitably.**

## Strategy

*Position OSR as a leading e-business agency with excellent client support and firm and fair enforcement.*

### Getting our systems right

During 2011-12, we saw significant additions to our lines of business. Incorporating these changes successfully depended on a combination of risk management and diligence in making sure our systems were up to the task.

We took on responsibility for administering Queensland's royalty regime – an amount around \$3 billion per year – from the Department of Employment, Economic Development and Innovation. The transition occurred with no disruption to this significant revenue stream, or to royalty clients and stakeholders.

Our implementation program included a comprehensive royalty risk analysis for coal, which represents 85–90 per cent of Queensland's royalty revenue base. To verify the risk analysis and develop robust annual royalty compliance programs, we completed an audit of three coal mining entities, representing approximately 8 per cent of the State's royalty revenue base. Our risk analyses for coal will form the basis of similar exercises for base and precious metals, petroleum and other minerals.

A further addition to our business lines during the year was the collection and reconciliation of interest collected by financial institutions on trust accounts held on behalf of licensees regulated under the *Property Agents and Motor Dealers Act 2000*. This revenue stream is expected to amount to some \$28 million per annum.

In 2012-13, we will incorporate royalties into our Revenue Management System (RMS), providing clients with a secure e-business interface for simplified lodgement and payment. We will go directly to our royalty clients throughout Queensland with education seminars to bring them up to speed on their obligations and topical matters such as the RMS royalty module, compliance programs and our audit focus. Our client education programs will continue throughout the coming year with webinars on a range of other revenue and grants topics.

The State Penalties Enforcement Registry (SPER) joined our business in May 2012. In the coming year, we will further improve our systems and business practices by investigating the use of professional collection agents to reduce the debt pool managed by SPER.

## Strategy

*Provide responsive and ongoing legislation and revenue policy advice services to the State Government.*

### Managing Queensland's revenue base

In 2011-12 we managed \$12.4 billion in revenue and grants which contributed to the delivery of essential and front-line services. In the coming year, this figure is forecast to increase to \$12.6 billion, as we take on responsibility for collecting unpaid fines and penalties through SPER. Read more about SPER overleaf.

A major focus for our efforts during the year was the Queensland Building Boost Grant, including creating an e-business environment to receive, process and pay grants. Originally scheduled to finish on 30 January 2012, the grant was later extended for an additional three months to 30 April 2012.

Although the grant eligibility period has now ended, applicants had until 31 August 2012 to lodge an application for the completed transaction, and so our work on finalising the grant program will continue in the coming year.

### Delivering taxation reform

We also implemented other revenue initiatives from the 2011-12 State Budget, including:

- removing the transfer duty concession for home buyers and revising the transfer duty rates structure
- extending the payroll tax rebate for apprentices and trainees
- continuing the 50 per cent land value cap
- implementing the landholder model for land rich duty
- transitioning royalties to monthly payments for large royalty clients.

We will implement revenue initiatives from the 2012-13 State Budget, including:

- increasing the payroll tax threshold from \$1 million to \$1.1 million
- reinstating the transfer duty concession for home buyers
- targeting serious non-compliance in payroll tax, royalties and high revenue value programs
- introducing the Government's \$15,000 First Home Owner Construction Grant and discontinuing the previous First Home Owner Grant.

On 4 and 5 October 2011, the Australian Government hosted the Tax Forum to progress the national tax reform agenda. Queensland played a key role at the forum in advancing a new state tax reform agenda. We provided expert policy analysis and advice and took a lead role in progressing a new national state tax harmonisation project with an initial focus on payroll tax.

## Strategy

*Further develop the Revenue Management System (RMS) to support innovative business practices.*

### A wise investment

In introducing a single integrated IT system to administer Queensland's revenue and grants schemes, RMS has over the years proved a wise investment.

It has allowed us to deliver more efficient services to clients, and has given clients the e-business options they have come to expect. During 2011-12 we developed partnerships with other Government agencies to apply RMS to grants management tasks and we have plans for further partnering to include early childhood grants and sports grants.

Through RMS we will:

- enhance our business intelligence capability to provide real-time risk identification across multiple data sets
- incorporate a royalty revenue module into RMS, including electronic lodgement and payment
- implement a royalties component into our Revenue Base Management system.

## New to our business – collecting and enforcing unpaid fines

On 25 May 2012 under a machinery-of-Government decision, the State Penalties and Enforcement Registry (SPER) joined the Office of State Revenue, presenting an opportunity to improve how fines and penalties are enforced in Queensland.

### About SPER

Formerly part of the Department of Justice and Attorney-General, SPER collects and enforces unpaid fines and penalties in Queensland, including:

- infringement notices issued by local governments, State Government departments, hospitals and universities for offences such as parking and speeding
- court orders (orders heard in a Supreme, District or Magistrates Court) for more serious offences such as assault or drink driving. These orders can include fines, compensation, restitution, fees and costs
- offender debt recovery orders made under the *Victims of Crime Assistance Act 2009* and referred to SPER when the offender fails to pay.

Since it began in November 2000, SPER has collected over \$1.23 billion in fines and fees – money returned back to the Queensland Government, prosecuting authorities such as councils and hospitals, and victims of crime. Over the years, SPER's methods of enforcement have expanded to include vehicle immobilisation and SMS reminders, and these have increased fine collections each year.

During the year, SPER collected \$208.5 million – over six times the amount collected in its first full year of operation (\$31.9 million in 2001-02). In 2011-12, SPER achieved a clearance rate of 76 per cent.

### Client education

As with our other revenue management functions, education plays an important part in SPER's operations. During 2011-12, SPER continued its community engagement activities in remote communities, correctional facilities and community centres.

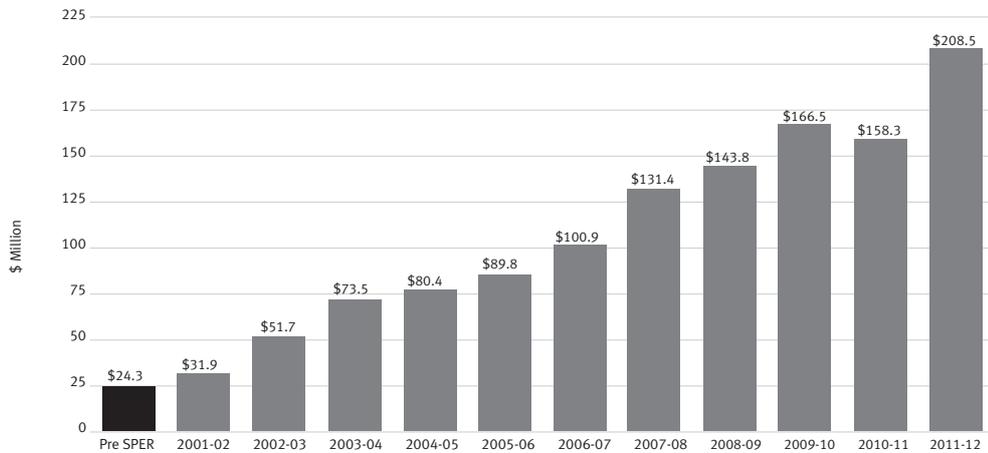
The SPER Community Engagement Team works directly with vulnerable and disadvantaged debtors to help them protect their rights and understand their obligations. SPER also publishes *Your Options with SPER* in 10 languages other than English.

### SPER and the Office of State Revenue

The transition of SPER presents an opportunity to examine business improvement practices in debtor management and collection and how fines and penalties are effectively and appropriately enforced in Queensland.

In the coming months, the Commissioner of State Revenue will review SPER's operations, including how SPER engages with debtors, how notices are served and how professional collection agents might work with SPER to reduce the debt pool. We will also review SPER's data matching and business intelligence needs.

## SPER – total value of debt and fees collected pre-2001 to 2011-12



**Analysis:** The total value of debt and fees collected has climbed steadily since the State Penalties and Enforcement Registry was formed in 2001. That revenue is returned to Government service delivery, prosecuting authorities such as councils and hospitals, and victims of crime.

## Debts registered with SPER – as at 30 June 2012

Debts managed by SPER fall within one of the following categories depending on the status of the debt.

Category	Number of penalties	Value \$ million
<b>Debts under active compliance to finalise an amount owing</b> For example, a payment arrangement, unpaid community service, or a debt that is still within the time to pay period.	1,016,284	\$255.96
<b>Debts under active enforcement</b> For example, debts that are overdue and have resulted in a driver licence being suspended, money garnisheed from a bank account or wages, or a warrant of arrest and imprisonment.	442,001	\$131.58
<b>Debts under deferral</b> Debts deferred from further action until a dispute or investigation into the debt is resolved. Debts may also be deferred for people affected by natural disasters.	167,565	\$65.82
<b>Debts awaiting enforcement</b> For example, debts queued for driver licence suspension or where SPER is investigating before taking further enforcement action.	1,185,347	\$307.56

## Debts lodged and debts finalised in 2011-12

	Number of penalties	Value \$ million
New debts registered with SPER by courts and administering authorities.	947,969	\$311.24
Debts finalised by SPER	718,671	\$222.05

# Trade and investment

Trade and Investment Queensland helps Queensland businesses develop global markets and improve export capability and promotes trade and investment opportunities.

## Our clients

Through our local and international client service network, Trade and Investment Queensland delivers a suite of export services to assist companies expand markets and become more competitive. We work closely with potential, new and existing Queensland exporters (primarily small-to-medium enterprises) as well as international buyers, investors and officials involved in purchasing decisions in overseas markets.

We also work with partner agencies, organisations and trade allies to promote better access to overseas markets and decision makers for Queensland companies. Our partners in this objective include Austrade, the Export Finance and Insurance Corporation and the Department of Foreign Affairs and Trade (DFAT) to ensure our respective resources complement each other to the benefit of Queensland companies. We work with DFAT in particular to ensure that Queensland industry's interests are represented in international trade negotiations.

## Our structure\*

Under Treasurer	Helen Gluer
Deputy Under Treasurer	Alex Beavers
Managing Director, Trade and Investment Queensland	Rob Whiddon
Acting Director, Regional Trade and Investment	Kathleen Collingwood
Director, Overseas Market Development - Asia	Nussara Smith
Director, Overseas Market Development - Americas Europe and Emerging Markets	Stephen Biggs
Acting Director, International Business Solutions	Devinka Wanigesekera

\* as at 30 June 2012

## Key issues in our environment

Continued weak consumer and business confidence across Europe and slower growth in several Asian countries is forecast to persist in 2012-13. This will adversely impact on consumer demand in these markets and consequently on Queensland exports.

The Australian dollar is forecast to continue to be above historical trend against the US dollar in 2012-13, negatively impacting on Queensland's international competitiveness, especially on the manufacturing, agriculture, international visitors and education services sectors.

## Performance highlights

Service standards	Notes	2011-12 published annual target	2011-12 actual
Number of targeted and qualified leads for Queensland businesses generated through Trade and Investment Queensland's overseas trade missions and other trade and export development activities		420	494
<b>Other measures</b>			
Number of structured programs/activities helping businesses build their capacity, improve their performance and/or access opportunities	1	418	423
Number of business participants in structured development activities	1, 2	8,218	10,033
Significant one-on-one business consultations undertaken	1, 2	1,692	4,425
Number of businesses involved in Trade and Investment Queensland's facilitated alliances, partnerships, industry networks, supply chains, clusters etc.	1, 3	385	248
Number of businesses assisted to export or expand market share	1	3,200	3,211

### Variations

- 1 All trade and investment performance measures are derived from measures reported by the former Department of Employment, Economic Development and Innovation. These will be reviewed in full during 2012-13 to ensure performance measures are weighted towards outcomes, rather than activity levels.
- 2 Increase a result of enhanced reporting functionality to track significant business consultations throughout Trade and Investment Queensland.
- 3 Decrease reflects re-prioritisation of activities to increase focus on significant one-on-one business consultations.

## Queensland's trade and investment presence overseas

### The Americas

- Los Angeles (California), Santiago (Chile), Belo Horizonte (Brazil)

### Asia

- Shanghai, Beijing, Guangzhou, Hong Kong, Bangalore, Mumbai, Jakarta, Tokyo, Seoul, Taipei, Ho Chi Minh City

### Europe

- London

### Middle East

- Riyadh (to close from 1 January 2013), Abu Dhabi

## Goal

**Support a business-friendly environment, economic sustainability and globally competitive exports.**

### Strategy

*Demonstrate Queensland's readiness to engage in trade, investment and business activities.*

#### **Taking the Queensland brand to the world**

Trade and Investment Queensland promotes the Queensland brand to the world to increase exports and investment.

In 2011-12, we delivered 423 trade and investment initiatives such as trade missions, significant inbound buyers missions and international tradeshows which helped build the international profile of Queensland products and services.

Significant opportunities for Queensland's export ambitions continue to present themselves, particularly in mining equipment, technology and services, environmental services, construction and infrastructure, international development business, education, and food and agribusiness.

During the year, we established representatives in Ho Chi Minh City and Beijing to service the growing business opportunities in south-east Asia and northern and western China. We also established a presence in Belo Horizonte, south-eastern Brazil, to capture opportunities in the Brazilian market.

#### **Attracting investment to Queensland**

In 2011-12, we worked to attract investment to strengthen and diversify supply capacity (especially in regions) by working with domestic and international companies looking to relocate, expand or develop their business in Queensland. In the coming year, energy resources, tourism infrastructure and agribusiness will be our focus in this sphere.

### Strategy

*Help business pursue export, international investment and global expansion opportunities.*

#### **Building export readiness**

Export skills and knowledge are key to making Queensland business export ready. We offer services for whatever stage in the export continuum businesses find themselves: market intelligence, workshops, supply chain facilitation, business introductions, in-market support via our international offices, individual trade and export assistance, trade missions, inbound delegations and showcasing events.

In 2011-12, we continued our program of export skills development for businesses in all Queensland regions.

Our Export Advisory Service conducted 34 workshops and seminars, and in-market commissioners' conferences and exhibitions were also held in support of Queensland business.

For Queensland's education and training sector, we initiated Export Master Class Education workshops to support export capability development of Queensland's international education and training industry. At these workshops in the Sunshine Coast, Townsville, Cairns, Gold Coast and Brisbane, 127 representatives from this sector participated.

#### **Bringing exporters, buyers and investors together**

We helped over 3,000 firms – 45 per cent of whom are in regional Queensland – with export advice, in-market support and participation at trade missions and events.

The Queensland-India affiliation is an increasingly important relationship for our respective regions. In 2011-12, Queensland's merchandise export trade with India was worth around \$6 billion.

Our response during the year was to establish the Queensland India Council, an independent advisory body of business, community and academic representatives to advise on trade, investment, education and business development within this important market.

Many fruitful partnerships begin with an introduction and a handshake. In 2011-12, we delivered the Handshakes business matching program at Beef 2012, Australia's national beef expo, in partnership with Beef Australia and Austrade.

At the expo, Handshakes brought over 300 delegates from North and South America, China, Asia, Europe and the Pacific in direct contact with over 70 Australian exporters of beef genetics and livestock handling equipment.

The resultant meetings between Australian agribusiness companies and international delegates generated enquiries for live animals, genetics, equipment, joint partnerships and investment in the beef industry. The flow-on effects of this networking are expected to continue into the coming year.

We will continue to provide value chain development assistance and advice for a range of sectors including horticulture and seafood in partnership with the Department of Agriculture, Fisheries and Forestry (Queensland), peak bodies, research agencies and the commercial sector.

## Strategy

*Shape Queensland and national policies to support a business-friendly environment, economic sustainability and globally competitive exports.*

### Our spot on the national agenda

While we work directly with businesses and markets to facilitate trade and investment, we also have significant presence in the national agenda-setting space.

Throughout 2011-12, our coordination of trade activities across Government included:

- representing Queensland on the National Trade Development Working Group which coordinates Australia's and individual state and territory, promotion and facilitation of trade and advising on matters of trade policy
- through DFAT, collaborating with the Australian Government to help improve trade conditions and outcomes for Queensland business interests, including bi- and multilateral trade agreement negotiations
- engaging in complementary activities with partner agencies through Memoranda of Understanding with Austrade, the Export Finance and Insurance Corporation and Brisbane Marketing.

## Awards open doors for Queensland business

The Premier of Queensland's Export Awards is an annual program open to all Queensland exporters, large and small, regional and metropolitan, that recognises achievements in pursuing export and global expansion opportunities.

The Queensland program is now in its 23rd year of showcasing the State's exporters and producing role models for others to succeed in world markets.

In 2011 the awards attracted 111 applications. Gympie company Nolan Meats, exporters of beef products to all major world markets, was named Queensland Exporter of the year, and Sedgman Limited, specialists in the resources sector, was named the Prime Minister's Australian Exporter of the Year.

Winners and entrants alike benefit from the boost to their profile in Queensland and overseas, expanding their business networks and increasing their access to global markets.

The exclusive conduit for Queensland companies to the Australian Export Awards, the awards program is an example of collaboration between the Queensland Government, the business community and the Australian Government to encourage growth in the nation's exports.

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# Our people

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## Building a capable and skilled workforce

Our workforce management activities focus on streamlining recruitment, building staff capabilities and managing performance.

Our key priorities in 2011-12 were:

- helping management select the most suitably skilled applicants and shortening timeframes for recruitment decisions
- continuing GRADStart, our graduate recruitment and development program. We welcomed 15 graduates into our 2012 program
- establishing an Aboriginal and Torres Strait Islander Reference Group to help us attract and retain Indigenous applicants
- enabling staff to further their education and professional development
- ensuring everyone understands our performance management framework and their role in it.

### Improving our recruitment processes

We reviewed our Recruitment and Selection Guidelines in 2011-12 to create more streamlined, timely processes. Our guidelines encourage practical techniques, such as roleplays and problem solving tasks, that reflect what the advertised job is in real life. We also identified external providers that can train our staff in selecting quality applicants.

Recruitment for our graduate program was tailored to attract applicants from difficult-to-fill disciplines specific to our business needs, such as statistics and mathematics. We are continuing GRADStart in 2012-13 and will use the recently developed Queensland Government Graduate Portal to further increase our applicant pool.

### Encouraging continuous education

Our employees take part in quality programs such as those offered by the Australia and New Zealand School of Government and the Queensland Public Service Commission. During the year, four of our people participated in the commission's Public Sector Management Program, a nationally accredited Graduate Certificate level program with a strong focus on business acumen, accountability and leadership.

During 2011-12, we continued our Professional Excellence Program for AO5-AO7 (or equivalent) level staff. Fourteen employees successfully completed this leadership program, which equips participants for management roles.

Our people again used the State Government's Study and Research Assistance Scheme (SARAS) to undertake formal study or research with financial assistance and flexible leave arrangements. During 2011-12, we used SARAS to support 40 staff in disciplines including commerce, accounting, information technology, law, applied finance and human resource management.

### Managing and rewarding performance

Treasury and Trade's performance management framework clearly spells out our expectations in achieving business goals and how these might fit an employee's own aspirations. Our framework provides direction and helps identify opportunities for improvement or professional development.

When new employees join our organisation, they participate in an induction exercise that assists them and their managers establish work responsibilities and goals. An online induction program covers:

- an overview of our organisation
- code of conduct and other employee relations training
- pay and conditions, entitlements, and learning and development
- workplace health and safety
- how we manage information and resources
- ICT systems.

Our learning and development framework helps our people strive for excellence by providing clarity on behaviours and capabilities valued each work level. This framework is used to identify potential development areas for individuals for their current and future roles.

Our rewards and recognition program acknowledges and celebrates the achievements of employees who have performed beyond the requirements of their day-to-day roles. All staff are eligible to be nominated for the Premier's Award for Excellence, 25 and 40 years of service, and our own Australia Day Awards. We also encourage staff to nominate colleagues for external awards programs such as the Institute of Public Administration Australia (IPAA) Awards.

## Consultation in our workplaces

Treasury and Trade has a joint consultative committee of employee representatives and management, which supports the commitments given in the *State Government Departments Certified Agreement 2009*. This committee meets every six weeks to discuss strategic organisational matters of policy and industrial issues that impact on our organisation, such as:

- organisational change and restructuring
- workload management
- training
- balancing work and family
- climate change and workplace sustainability
- union encouragement
- workforce data.

During 2011-12, we worked with the Together Union of Employees on agreed consultative processes for our organisation.

## Changes ahead for our workforce

In the coming year, our workforce will continue to change as we work to implement the Government's objectives for sustainable public sector growth.

We will also identify functions that are not aligned with Government priorities and, consistent with a 'one Treasury' review, bring closer to the core functions of Treasury and Trade activities previously undertaken by separate portfolio offices. At the centre of this realignment is the establishment of Projects Queensland as the single focus for commercial projects across Government.

Our focus will be on supporting our people through these changes and on allocating resources to help meet the Government's objectives for the community.

## Our workforce at a glance

The Queensland Treasury and Trade workforce increased in size during 2011-12 due to the addition of staff from Trade and Investment Queensland and the State Penalties Enforcement Registry (SPER). At the end of the year, our workforce comprised:

- 1,176 people<sup>1</sup>
- 1,119.42 full-time equivalent staff<sup>2</sup>
- 151 part-time and casual staff
- an increase in the representation of women to 55.19 per cent
- Total staffing at 30 June 2012 has been adjusted to include employees leaving Queensland Treasury and Trade effective 30 June 2012
- Due to the complexity of machinery-of-Government changes effective 1 May 2012,

annual separation and retention rates for 2011-12 year were unable to be calculated and may misrepresent actual long-term agency trends.

- 1 Represents 16.6 per cent increase on same time 2010-11. Increase attributed to machinery-of-Government movement of Trade and Investment Queensland employees from Department of Employment, Economic Development and Innovation (DEEDI) and SPER employees from Department of Justice and Attorney-General (DJAG). Includes Motor Accident Insurance Commission (MAIC).
- 2 Full-time equivalent only. Includes employees active and paid at end of reporting period. Includes employees from DEEDI (Trade), DJAG (SPER) and MAIC.

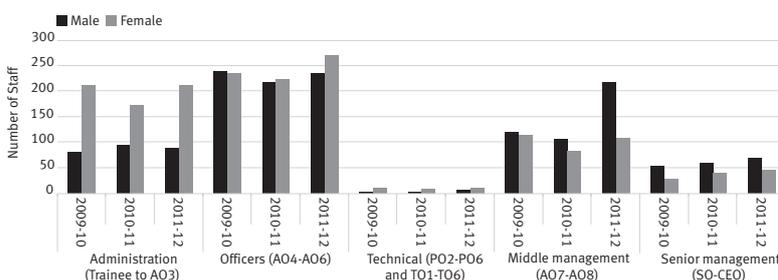
	Number	Percentage of workforce
Men	527	44.81
Women	649	55.19
Aboriginal and Torres Strait Islanders	15	1.28
People from non-English speaking backgrounds	175	14.88
People with disability	67	5.7
Women in middle and upper management (AO7-AO8 levels)	109*	9.27
Women in senior officer and senior executive service (SO-CEO levels)	46**	3.91
Average annual earnings by men	\$88,033	
Average annual earnings by women	\$70,373	

Data relates to the final pay period 2011-12

\* Represents 46% of band

\*\* Represents 40% of band

## Total staff by gender and classification



## Voluntary Separation Program

The Voluntary Separation Program (VSP) was introduced as part of the Mid-Year Fiscal and Economic Review in January 2011. This program was one of a number of measures designed to deliver additional savings and reprioritise spending. The program was targeted primarily at non-frontline areas, as a service reprioritisation strategy to ensure continued growth in frontline areas. Our department sought expressions of interest from all eligible permanent staff across the department. Offers were made to eligible employees based on criteria outlined in the relevant Australian Taxation Office ruling.

In 2011-12, 71 employees accepted offers of voluntary separation packages at a cost of \$8.15 million (incentive and severance payments only. Excludes Motor Accident Insurance Commission/Nominal Defendant staff providing services to the Queensland Government Insurance Fund.) Please note that the number of packages and monetary amount includes Treasury and Trade and the Queensland Government Insurance Fund. It does not include the costs of Motor Accident Insurance Commission and Nominal Defendant employees.

### Voluntary early retirements and voluntary redundancies

There were no voluntary early retirements, voluntary redundancies or retrenchments in Treasury during 2011-12.

## Promoting a healthy and safe workplace

Keeping our people healthy benefits everyone. During the year, with our corporate health partner, we offered our people free assessments of 'lifestyle' health and wellbeing factors such as blood pressure, glucose and cholesterol, and skin and heart health. We also offered free annual flu vaccinations and continued our executive health program.

Similarly, in an effort to build positive mental health, we focussed on early intervention programs to address performance and ill health matters. We facilitated a range of positive mental health workshops for staff and our employee assistance provider was available for staff and immediate family members for short-term counselling and support. Managers had access to a manager support hotline for help with the everyday challenges they face.

### Spreading the word through consultation

In 2011-12, our health and safety representative and committee networks continued to spread the word about health and safety in our organisation and opportunities for staff and management alike to support a healthy workforce.

We retained our safety advisors to assist senior officers meet their workplace health and safety due diligence requirements.

## Rehabilitation and returning to work

Returning to work at the earliest opportunity is an important part of an injured or ill worker's recovery. We support our people suffering from both work and non-work related injuries and illness to achieve a successful and enduring outcome.

## Helping our people balance work and family life

We help our employees balance their work and family commitments with a range of flexible work arrangements and policies, including part-time work arrangements and telecommuting/working from home. Our strong focus on work-life balance makes good business sense by reducing absenteeism, staff turnover, and knowledge and skills loss. Read more about our support for the carers in our workforce on our website [www.treasury.qld.gov.au/about/annual\\_report/](http://www.treasury.qld.gov.au/about/annual_report/).

### Statutory workers compensation claims per injury year

	2011-12	2010-11	2009-10
Statutory claims accepted	9	14	8
Claims received	14	17	12

One claim to access damages at common law lodged in 2012 related to the 2009 injury year.

# Managing our organisation

**Our corporate governance practices allow us to fulfil our commitment to Queensland’s future prosperity and the Government’s objectives for the community. Our systems, processes and management structures allow us to make decisions, manage resources and review our performance in a transparent, accountable and ethical way.**

## Challenges and opportunities

2011-12 proved to be a year of significant change for Queensland’s public sector. For Treasury and Trade, the change of Government in the latter half of the year added new responsibilities to our department.

Our task has been to effectively draw these new activities into our organisation in a manner that allows us to respond to industrial business challenges while maintaining focus on Queensland finances and the performance of the economy.

## Planning and resourcing

Our corporate governance framework starts with the Government’s objectives for the community:

- Grow a four-pillar economy, with attendant goals for jobs, returning the State’s budget to surplus and regaining Queensland’s AAA credit rating
- Lower the cost of living, requiring significant legislative response from our portfolio
- Invest in better infrastructure and use better planning
- Revitalise front-line services by ensuring government resources achieve value for money
- Restore accountability in government through our leadership role in public sector financial management.

Our foundation for achieving these objectives is the Charter of Fiscal Responsibility, which outlines the Government’s fiscal objectives and on which the Treasurer reports to Parliament on progress made toward the charter’s outcomes. To return to Queensland’s historic fiscal strength, the charter commits us to pursuing a set of principles:

- Stabilise then significantly reduce debt
- Achieve and maintain a general government sector fiscal balance by 2014-15
- Maintain a competitive tax environment for business
- Target full funding of long term liabilities such as superannuation in accordance with actuarial advice.

Each year’s State Budget, mid-year review and end-of-year outcomes report outlines the Government’s achievements against this fiscal strategy.

This then sets the direction for our strategic plan, which commits us to specific objectives in the fiscal, economic, service delivery, federal reform and capability arenas. Each of our service areas is responsible for particular strategies relating to their line of business.

From our strategic plan, each Treasury and Trade office develops its own plan for the years ahead. They set business and capability priorities and allocate the resources and infrastructure they need to meet objectives.

Linking our strategic and business planning framework to the State Budget, each year a Service Delivery Statement details our budget, performance and future objectives. Read about the most recent State Budget at [www.budget.qld.gov.au](http://www.budget.qld.gov.au).



## Performance and accountability

### For Queensland

Along with all other agencies, we base our decisions on planning, resource management and performance on the Queensland Government's financial management framework.

We continue to take a lead role in strengthening financial accountability in Government by working directly with agencies to meet their obligations under the Financial Accountability Act.

### For our organisation

Our performance is monitored externally through the Parliamentary Estimates Committee process, generally held after each year's State Budget.

We are accountable to the Treasurer and Minister for Trade who reports on our performance against our Service Delivery Statement through the Estimates Committee. We also prepare quarterly performance reports for the Government.

Internally, our performance is monitored closely by our Portfolio Management Group, and monthly finance reports are provided to the Under Treasurer.

Our Resource Governance Committee strengthens our ability to manage resources by:

- providing advice and direction on the management of our own budget
- monitoring our organisation's use of financial, workforce, IT, communication and information resources

- approving proposals for corporate service initiatives.

This committee is chaired by Under Treasurer Helen Gluer, supported by Deputy Under Treasurer Alex Beavers, Executive Director, Office of State Revenue David Smith and Executive Director, Corporate Services Chris Turnbull.

We monitor our performance in line with the Government's Performance Management Framework. This framework establishes how performance information should be used to identify and address risks and opportunities for agencies, Government and the community.

## Leading Treasury and Trade

Accountable to the Treasurer and Minister for Trade, Treasury's chief executive, Under Treasurer Helen Gluer sets the direction for Our organisation, supported by Deputy Under Treasurers Alex Beavers and Ken Sedgwick, the Portfolio Management Group, associated committees and portfolio office executive management teams. Read more about Treasury's structure and responsibilities in About us on pages 4 to 6.

The Portfolio Management Group, comprising the Under Treasurer, Deputy Under Treasurers, Assistant Under Treasurers and the heads of each portfolio office, drives Treasury's direction and performance. Its main role is corporate governance and developing the capability priorities which support our corporate planning process.

The group also determines operational policy and strategies to identify and manage key areas of risk and department-wide issues. Each of our portfolio offices has its own executive management team which sets the strategic direction for their office.

### Our executive team (as at 30 June 2012)

Name	Position	Portfolio responsibilities
Helen Gluer	Under Treasurer	Executive leadership and strategic direction of Treasury and Trade
Alex Beavers	Deputy Under Treasurer	
Ken Sedgwick	Acting Deputy Under Treasurer	
Gary Ward	Assistant Under Treasurer and Government Statistician	Office of Economic and Statistical Research Inter-governmental relations
Pauline Elliott	Acting Executive Director	Office of Government Owned Corporations
David Smith	Executive Director and Commissioner	Office of State Revenue (now also incorporating the State Penalties Enforcement Registry)
Chris Turnbull	Executive Director	Corporate Services
Rob Whiddon	Managing Director	Trade and Investment Queensland
Neil Singleton	Insurance Commissioner	Queensland Compulsory Third Party insurance scheme Queensland Government Insurance Fund General advice to Government on insurance matters

## Our leadership team (as at 30 June 2012)

Name	Position	Portfolio responsibilities
Walter Ivessa	Assistant Under Treasurer	Health and community services  Education and justice
Dennis Molloy	Assistant Under Treasurer	Fiscal and taxation policy Macroeconomic research
John O'Connell	Assistant Under Treasurer	Resources and economic development  Transport, infrastructure and government services
Ian Munro	Assistant Under Treasurer	Commercial advisor  Commercial and financial management  Financial management
Keith Millman	Commercial Counsel	Legal advice on behalf of Treasury and Trade and the Queensland Government
Charles Harrison	State Actuary	Actuarial advice to the Queensland Government on QSuper, judges' and Governor's pension schemes, Long Service Leave Central Scheme, Queensland Government Insurance Fund and the Nominal Defendant Fund

## Our ethical environment

We value, actively support and promote an ethical work environment across our organisation. It helps our people understand their responsibilities, carry them out with integrity and accountability, and deliver effective and efficient services.

Treasury and Trade adopted the new sector-wide Code of Conduct for the Queensland Public Service which was rolled out in early 2012. This code is aspirational and clarifies what we expect of ourselves, our colleagues, and our organisation. The code has been communicated to staff via several media, including emails, our intranet and training programs.

In April 2012, we released a new Integrity and Equity section of our intranet site. This one-stop point of contact enables staff to learn more about the code of conduct, public interest disclosures, how to lodge employee complaints or appeals, and equity and diversity programs.

We take our responsibilities to educate staff about the code of conduct and ethical decision making seriously:

- In September 2011 we trained 35 of our SES and equivalent officers. The small number of officers unable to attend have been encouraged to attend similar training run by the Queensland Ombudsman.
- Our Ethics and Employee Relations Unit conducted training on ethics and the code of conduct across several work areas throughout 2011-12, including for all senior staff in the Office of Economic and Statistical Research, Finance Branch, and several branches in Treasury Office.
- A new Ethics and Integrity module was included in our Professional Excellence Program for AO5 to AO7 staff.

- In March 2012, new online training was mandated for all staff to support the new code of conduct and to meet our obligations under the Public Sector Ethics Act. Ninety-eight per cent of Treasury staff have now completed the program successfully.

The Act contains principles that underpin how we operate as an organisation:

- Integrity and impartiality
- Promoting the public good
- Commitment to the system of government
- Accountability and transparency.

Our agency planning activities aligned with these principles. For example:

- In contributing to the Government's objectives for the community, we are demonstrating a clear 'commitment to the system of government'.
- Our vision – 'To improve the quality of life for all Queenslanders' – directly supports the value of 'promoting the public good'.

- A key priority in our Strategic Plan 2011-16 – "ensure Government resources achieve value for money, are directed to services that improve quality of life and are delivered efficiently and equitably" – directly supports these principles.

During the year, we updated a range of procedures and policies to support these principles, their associated values and the code of conduct:

- Our new employee complaints policy and guideline upholds the principles of the Public Sector Ethics Act and the code of conduct.
- We developed a new Public Interest Disclosure policy which also upholds the principles of the Public Sector Ethics Act, the Public Interest Disclosure Act and the code of conduct.

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## External scrutiny

External audits and reviews aid transparency in government and help us improve our and other agencies' performance. These aims are particularly important to the development of the whole-of-Government policy on planning and performance management, financial management and governance for public sector entities.

During 2011-12, recommendations for the then Queensland Treasury were included in reviews by Queensland's Auditor-General and the Queensland Ombudsman.

### Auditor-General of Queensland Report to Parliament No. 11 for 2011

#### Results of audits as 31 October 2011

This report identified matters for further consideration from Queensland's assets sale program. The Auditor-General highlighted the importance of considering accounting requirements in a timely manner – in particular, that these requirements should be assessed before the transaction occurs. He also reported that, following the asset sales, Queensland Treasury Holdings Pty Ltd (QTH) now holds significantly larger assets and liabilities holdings, which may require Treasury to adopt different governance and monitoring arrangements over QTH's activities.

#### *Recommendation*

That a formal process and framework for preparing and tabling Sales Summary Reports be developed and adopted for future sales of major infrastructure assets.

#### *Our response*

- Recognising the complex accounting issues involved in this program, Treasury embedded a Treasury financial specialist within the Commercial Transactions Team. In his response to the Auditor-General, the then Under Treasurer observed that transactions of this nature must be considered in the broader context of government policy, commercial and bidder considerations as well as deal closure.
- To address the QTH governance issues, a new board for QTH and its subsidiaries has been established, comprised of Queensland Treasury Corporation and Treasury officials with knowledge of the assets and liabilities and a full-time senior officer as secretariat.
- On the issue of future Sales Summary Reports, Treasury welcomed the opportunity to discuss this matter further with the Queensland Audit Office.

### Auditor-General of Queensland Report to Parliament No. 8 for 2011

#### *Follow up on Auditor-General Report to Parliament No. 6 for 2009 – Providing the information required to make good regulation.*

This follow-up audit identified the significant amount of work done to improve the system for developing regulatory proposals which incorporated regulatory better practice principles and applied to a broader reach of regulation. This new system – the Regulatory Assessment Statement (RAS) system – has been implemented across all agencies, accompanied by guidance materials, analytical and costing tools and online training. The audit found that line and central agencies have addressed the weaknesses identified in the original audit. All that remains is to align the RAS system to its authorising legislation, to ensure unambiguous support and direction.

Full implementation will require:

- amendment to legislation to support the broader application of the RAS system to all primary and subordinate legislation
- continuing Treasury and Trade's centralised advisory role to champion best practice through the application of the RAS system check points, and to maintain online training, templates, assessment and costing tools.

### Our response

The Government has decided to legislatively recognise the RAS system and will prepare amending legislation in the near future.

## Auditor-General of Queensland Report to Parliament No. 5 for 2012

### Results of audits – Internal control systems

This report contained general comments about financial controls across departments, statutory bodies and Government-owned corporations, and fraud controls across departments. Although no issues were attributed to particular agencies, a separate letter from the Auditor-General identified training and analytical review/data mining issues relating to Treasury and Trade.

### Our response

With respect to the issues identified for Treasury and Trade specifically, training will be rolled out to Treasury and Trade employees in the second half of 2012 as part of a broader training program. Treasury and Trade does undertake data analysis over identified high-risk areas, as well as having other compensating controls in place to mitigate risk.

## Report of the Queensland Ombudsman

### The Hendra Virus Report – An investigation into agency responses to Hendra virus incidents between January 2006 and December 2009

#### Recommendation 41

That the Under Treasurer:

- prepare a submission to Government on the feasibility of a discretionary payment framework that provides for a range of payments to be made in different circumstances.

#### Recommendation 42

Until a discretionary payments framework is in place, the Under Treasurer should issue guidance to all Queensland government agencies on:

- the situations in which discretionary payments may be appropriate

- how requests for discretionary payments should be received and processed
- how appropriate amounts of discretionary payments can be calculated
- how to determine whether conditions should be attached to discretionary payments and examples of appropriate conditions
- common standards of service or administration against which claims of maladministration can be measured by an agency.

### Our response

The Government responded by outlining that, given the range of services provided by the Queensland Government, there are many different circumstances under which a discretionary or special payment could be made. The *Financial Accountability Act 2009* clearly states that the accountable officer of a department (or delegate) may authorise a special payment. Each department is expected to document its internal controls in its Financial Management Practice Manual, which must be prepared pursuant to the *Financial and Performance Management Standard 2009*.

To support accountable officers in establishing their department's internal controls, Treasury and Trade has prepared a number of policy and guidance documents, including the Financial Accountability Handbook. In response to the Ombudsman's Report, the Handbook has been expanded to provide high-level guidance of when a special payment may be appropriate, and to stress each agency's responsibility to develop a policy for special payments and to document this policy in their Financial Management Practice Manual.

Subsequent to this, there has been ongoing correspondence and discussions with the Ombudsman on this issue, with a view to potentially providing further guidance in the Handbook.

# Audit

## Audit Committee charter

The Treasury and Trade Audit Committee has observed the terms of its charter which is prepared largely on the basis of the *Audit Committee Guidelines: Improving Accountability and Performance*.

The committee's charter sets out its responsibilities, which encompass but are not limited to:

- considering audit and audit-related findings
- assessing and enhancing Treasury and Trade's corporate governance processes including its systems of internal control and the internal audit function
- evaluating the quality and facilitating the practical discharge of the internal audit function particularly in planning, monitoring and reporting
- overseeing and appraising Treasury and Trade's financial and operational reporting processes through the internal audit function.

## Role

The Queensland Treasury and Trade Audit Committee acts as an advisory service providing reasonable assurance to the accountable officer – the Under Treasurer – to assist in the effective discharge of responsibilities prescribed in the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and other relevant legislation and prescribed requirements.

## 2011-12 members

- Alex Beavers, Deputy Under Treasurer (Chair)
- Helen Gluer, Under Treasurer
- Ken Sedgwick, Acting Deputy Under Treasurer
- Neil Singleton, Insurance Commissioner
- Gary Ward, Assistant Under Treasurer, Treasury Office
- Martin Schwede, Deputy Commissioner, Office of State Revenue

- Don Licastro, Director, Corporate Solutions, Queensland Treasury Corporation.

The Queensland Audit Office, Internal Audit, the Executive Director Corporate Services, the Chief Financial Officer and the Director, Office of the Under Treasurer have standing invitations to attend committee meetings.

## 2011–12 program

In 2011-12, the Audit Committee met four times and considered a range of matters concerning Treasury and Trade's finances and internal audit projects, including:

- reviewing the 2010-11 financial statements for Treasury, Queensland Future Growth Fund, Motor Accident Insurance Commission and Nominal Defendant
- reviewing, approving and ongoing monitoring of the internal audit plan for 2011-12
- reviewing the *2010-11 Report on State Finances*
- reviewing Queensland Audit Office reports to Parliament as they relate to Treasury
- providing feedback on and considering issues raised by internal audit reports
- providing feedback on and considering issues raised by the Queensland Audit Office including recommendations resulting from performance audits
- monitoring activities of other related committees in Treasury and Trade.

## Internal Audit

Internal Audit supports the Audit Committee by regularly evaluating Treasury and Trade's financial and operational systems, reporting processes and activities. It provides an independent, objective assurance and consulting service, which is consistent with relevant audit and ethical standards and has due regard to Treasury and Trade's *Audit Committee Guidelines: Improving Accountability and Performance*.

In 2011-12, internal audit services were provided by Treasury and Trade's Internal Audit unit.

Internal Audit has observed the terms of its charter which is prepared in keeping with the *Financial Accountability Act 2009* and other relevant legislation. As stated in the charter Internal Audit has independent status. It is also independent of the Queensland Audit Office (QAO), though liaises with QAO where the Director, Internal Audit considers it appropriate.

In accordance with the *Financial and Performance Management Standard 2009*, Internal Audit prepares a strategic audit plan and an annual audit plan in consultation with all portfolio offices, executive management, the Risk Management Committee and the Queensland Audit Office.

The risk assessment methodology used in preparing the 2011-12 audit plan was based on the 2009 risk assessment standard AS/NZS ISO 31000 and the Queensland Treasury Risk Management Framework. The plan is endorsed by the Audit Committee and approved by the accountable officer. Internal Audit provides written reports on all audits and reviews conducted to both the accountable officer and the Audit Committee. Progress against the annual audit plan is reviewed regularly by the Audit Committee to ensure the effective, efficient and economical operation of the function.

In 2011-12, Internal Audit completed 6,056 hours of audit work in Treasury and Trade with 15 audit tasks finalised including verification of the 2010-11 financial statements and review of payroll tax, duties, First Home Owner Grant and the Queensland Building Boost Grant.

## Risk management

In Treasury and Trade's corporate governance framework, risk management is integrated into all business activities and systems across the portfolio, including strategic and business planning, staff responsibility and other decision-making processes.

The aim of risk management is to contribute effectively to service delivery through our objectives and strategic directions.

All staff in Treasury and Trade are responsible for managing risk. Project management within Treasury and Trade includes identifying risks and developing solutions to mitigate and manage those risks.

## Risk Management Committee

The Risk Management Committee assists the Under Treasurer and Treasury and Trade's Portfolio Management Group by:

- determining Treasury and Trade's risk management strategy and monitoring its implementation
- identifying and prioritising portfolio risk at a strategic level
- overseeing risk management policy and processes
- monitoring risk management in business planning and reporting
- ensuring significant risks are managed effectively and efficiently.

## 2011-12 members

- Alex Beavers, Deputy Under Treasurer (Chair)
- Tim Spencer, Associate Under Treasurer (until May 2012)
- John O'Connell, Assistant Under Treasurer, Treasury Office
- Lynne Bulloch, Director, Education and Justice Branch, Treasury Office
- Tony Kulpa, Deputy Commissioner, Office of State Revenue

The Director, Office of the Under Treasurer and the Executive Director, Corporate Services have standing invitations to committee meetings.

In 2011-12, the committee met three times to consider matters including:

- input into the annual internal audit planning
- progress on crisis management issues
- COAG Seamless National Economy reforms
- corporate risks
- internal control environment
- new risk management guidance.

# Financial summary

This summary provides an overview of our financial performance for 2011-12.

Following machinery of Government changes Treasury Department became Queensland Treasury and Trade from 1 May 2012 following the transfer of Trade and Investment Queensland. The State Penalties Enforcement Registry was also transferred into the department with effect from 1 June 2012.

Queensland Treasury and Trade's financial statements fall into two categories:

- **administered**, which report on the funds Queensland Treasury and Trade administers on behalf of the Queensland Government in its role as the State's financial manager
- **controlled**, which disclose the revenue, expenses, assets and liabilities used to conduct Queensland Treasury and Trade business.

## 2011-12 Statement of Assurance

As required by the *Financial Accountability Act 2009*, our Chief Financial Officer provided a statement to our accountable officer, the Under Treasurer, assuring her of the efficiency, effectiveness and economy of our financial operations and governance. This statement indicated no deficiencies or breakdowns in internal controls which would impact adversely on our financial statements or governance for the year.

## Analysis and evaluation

In 2011-12, Queensland Treasury and Trade administered \$32.09 billion of revenue and \$6.36 billion of expenses on behalf of the State. This excludes administered item revenue which is appropriation revenue received from the Consolidated Fund to meet administered expenses.

The largest single source of administered revenue was Commonwealth grants of \$19.59 billion, followed by State taxes, fees, fines and levies of \$9.36 billion.

Queensland Treasury and Trade commenced the administration of State royalties from 1 July 2011. Royalty revenue of \$2.77 billion was received in 2011-12.

The main component of Commonwealth revenue was Queensland's share of GST. Other Commonwealth revenue included Natural Disaster Relief funding and National Partnership Payments for Health, Education, Housing and Communities.

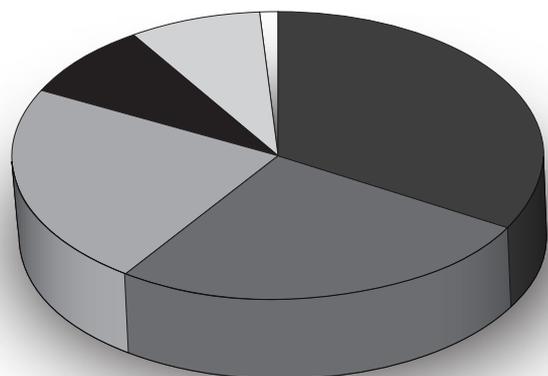
Queensland Treasury and Trade administered a number of grants on behalf of the State in 2011-12 including the First Home Owner Grant and grants to the Queensland Reconstruction Authority. A one-off ex-gratia payment of \$114.5 million was made in 2011-12 for duties relief on the restructure of State Government-owned electricity generating companies.

Queensland Treasury and Trade's controlled revenues consist principally of Parliamentary appropriations. In 2011-12, revenue allocated to services was \$154.75 million (compared with \$162.68 million in 2010-11).

Queensland Treasury and Trade ensures it has appropriate and relevant policies, processes, systems and controls to ensure it operates within its budget, achieves value for money and minimises its costs and risks in relation to its liabilities. All divisions of our organisation provide regular assurance as to the operation of internal controls and fraud detection processes.

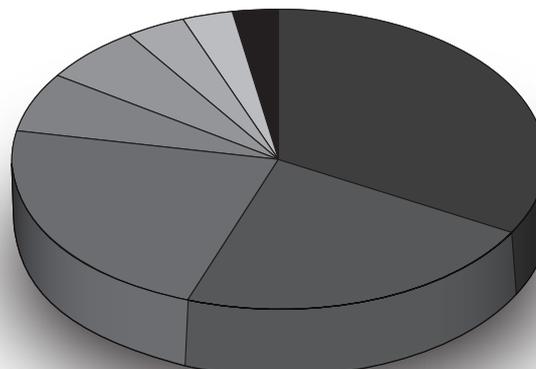
# Administered

Royalties, State taxes, fees, fines and levies 2011-12



- Payroll tax \$4.07B
- Land tax \$1.02B
- Duties \$3.19B
- Gaming taxes and other taxes \$0.96B
- Royalties \$2.77B
- Fees, fines and levies \$0.12B

Total administered expenses by category 2011-12



- Superannuation benefit payments \$2.12B
- Grants and contributions \$0.39B
- Borrowing costs \$1.43B
- Benefit payments \$0.24B
- Annual Leave Central Scheme \$1.43B
- All other expenses \$0.20B
- Long service leave reimbursements \$0.40B
- Supplies and services \$0.16B

Strong employment and wages growth, especially in mining and construction, over 2011-12 have supported strong revenue growth in payroll tax. In addition, during 2011-12, Queensland Treasury and Trade assumed responsibility for administering royalties revenue.

Superannuation benefit payments of \$2.12B, borrowing costs of \$1.43B and Annual Leave Central Scheme costs of \$1.43B were the largest components of the \$6.368B of expenses the department administered on behalf of the State.

## Queensland Government Insurance Fund

The Queensland Government Insurance Fund (QGIF) is an administrative arrangement in Queensland Treasury and Trade. The fund operates as a self-insurance arrangement into which Government agencies pay premiums to meet the cost of claims and insure against future potential liabilities. QGIF aims to improve the management of insurable risks through identifying, providing for, and funding the Queensland Government's insurable liabilities.

Claims are paid out of Queensland Treasury and Trade's Administered accounts, while the actuarial assessed provision for future claims is held at the whole-of-Government level.

The liability balance at 30 June 2012 was \$926 million, compared with \$772 million at 30 June 2011. Investments to sufficiently cover the Government's outstanding claims liabilities are held by the Queensland Investment Corporation within its long term assets. The fund reinsurance expenses program was put in place in the course of the 2011-12 financial year.

QGIF claim liabilities and associated investment balances are reported in the annual *Report on State Finances* of the Queensland Government.

The table below provides a snapshot at 30 June 2012 of the QGIF, and a comparison with the same results at 30 June 2011.

Queensland Government Insurance Fund financial summary	30 June 2011 \$M	30 June 2012 \$M
Assets under investment	884.5	983.0
Provision for future liabilities	772.3	926.4
Premiums collected	113.8	131.8
Claims paid	85.5	96.3
Fund operating expenses	3.6	4.6
Reinsurance expense	-	17.5

## Queensland Treasury and Trade Administered Summary Statement of Comprehensive Income

for the year ended 30 June 2012

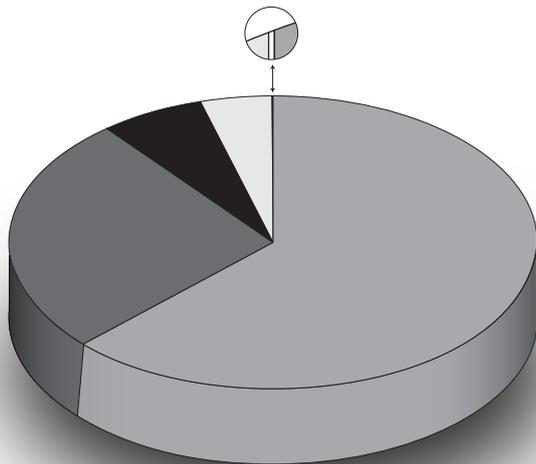
	Treasury Department Actual 2010-11 \$'000	Treasury Department Actual 2011-12 \$'000	
<b>Revenue</b>			
Commonwealth grants	16,962,976	19,587,340	Increase due to road National Partnership Payments (NPPs), Natural Disaster Relief funding, an increase in the GST pool and funding for health, education, communities and housing NPPs.
Taxes, fees, fines and levies	8,633,590	9,358,225	Increase reflective of payroll tax from employment and wages growth, duties from more property transactions and gambling taxes from gaming machines and Gold Lotto jackpots.
Royalties, property income and other territorial revenue	225,051	2,977,567	Increase due to the Office of State Revenue collecting mining, coal and other royalties from 1 July 2011.
Interest	31,575	33,781	
Administered item revenue	4,355,785	6,363,548	Increase from funding held in trust under the <i>Property Agents and Motor Dealers Act</i> .
Other revenue	42,378	132,462	Increase due to revenue on passed from Queensland Reconstruction Authority (QRA) to Queensland Rural Adjustment Authority and receipt and transfer of Public Trustee Office Unclaimed Money Fund balances.
<b>Total revenue</b>	<b>30,251,355</b>	<b>38,452,923</b>	
<b>Expense</b>			
Employee expenses	5,022	5,021	
Supplies and services	159,299	157,551	Decrease due to Defined Benefit assets transferring from Queensland Investment Corporation to Queensland Treasury Corporation and reduced administration fees.
Impairment losses	13,337	16,592	
Grants and contributions	221,212	388,716	
Benefit payments	123,780	238,370	Increase due to one-off ex-gratia payments, grants to QRA and a payment from the Community Investment Fund to the Racing Industry Capital Development Scheme.
Interest	62,412	47,822	
Superannuation benefit payments	1,140,000	2,123,762	Increases relate to the Queensland Government Building Boost program and First Home Owner Grant.
Long service leave reimbursements	315,471	398,658	
Annual Leave Central Scheme	1,279,235	1,427,525	Increase relates to State's share of Defined Benefit Scheme.
Borrowing costs	938,959	1,431,853	Increase reflective of additional borrowings raised in 2011-12.
Other	104,724	132,164	
<b>Total expenses</b>	<b>4,363,451</b>	<b>6,368,034</b>	
<b>Net surplus before transfers to Government</b>	<b>25,887,904</b>	<b>32,084,889</b>	
<b>Transfers of administered revenue to Government</b>	<b>25,893,627</b>	<b>32,084,889</b>	
<b>Net surplus/(deficit)</b>	<b>(5,723)</b>	<b>-</b>	

## Queensland Treasury and Trade administered revenue

	2010-11	2011-12
Commonwealth funding as a percentage of total revenues	56%	51%
State funding as a percentage of total revenues	14%	17%
Funding from external sources as a percentage of total revenues	30%	32%

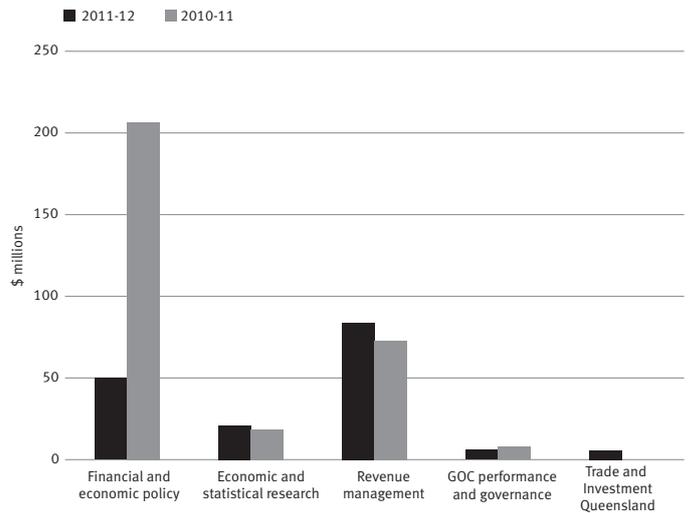
# Controlled

Total expenses by category 2011-12



- Employee expenses \$103.94M
- Supplies and services \$46.24M
- Depreciation and amortisation \$10.69M
- Other \$6.94M
- Grants and contributions \$0.10M

Total expenses by service



In 2010-11 the financial and economic policy service included the costs of the Commercial Transactions Team. Trade and Investment Queensland included from May 2012.

## Queensland Treasury and Trade controlled key financial performance indicators

	2010-11 Actual	2011-12 Actual
Net cost of services funded by appropriation (\$ M)	\$162.02	\$153.95
State funding as % of total revenues	53%	92%
Fixed assets employed (\$ M)	\$46.72	\$40.98
Net assets (\$ M)	\$61.48	\$61.17

## Queensland Treasury and Trade Controlled Summary Statement of Comprehensive Income

for the year ended 30 June 2012

	Parent Entity Actual 2010-11 \$'000	Parent Entity Actual 2011-12 \$'000	
<b>Revenues</b>			
Departmental services revenue	162,676	154,754	Decrease reflects reduced funding for the Commercial Transactions Team (CTT), partially offset by Voluntary Separation Program (VSP) payments, Enterprise Bargaining (EB) wage increases, integration of royalties collection function, 2011 Census project, machinery of Government (MoG) transfers of State Penalties Enforcement Registry (SPER) and Trade and Investment Queensland (TIQ), and funding deferred from 2010-11 for emergent projects.
User charges	140,592	12,770	
Grants and other contributions	734	236	Decrease due to reimbursement of costs incurred by CTT in 2010-11.
Other revenue	699	937	
<b>Gains</b>			
Gain on sale of property, plant and equipment	24	7	Increase relates to additional credit card surcharge revenue in the Office of State Revenue (OSR) as customers migrate to e-business.
<b>Total income</b>	<b>304,725</b>	<b>168,704</b>	Increase due to VSP payments, impact of EB agreement and part year expenses from MoG transfers, partially offset by agency savings.
<b>Expenses</b>			
Employee expenses	92,635	103,936	Decrease due to reduced CTT costs and agency savings, partially offset by OSR temporary staff costs to manage Queensland Building Boost Grant program, ICT project costs and part year expenses for SPER and TIQ.
Supplies and services	182,118	46,235	
Grants and contributions	394	99	Decrease mainly due to one-off payment in 2010-11 for Regulatory Assessment Statement System.
Depreciation and amortisation	10,507	10,693	
Other expenses	18,417	6,937	One-off advertising costs incurred during 2010-11 in relation to CTT.
<b>Total expenses</b>	<b>304,071</b>	<b>167,900</b>	
<b>Net surplus</b>	<b>654</b>	<b>804</b>	

## Queensland Treasury and Trade Controlled Statement of Financial Position

as at 30 June 2012

	Parent Entity Actual 2010-11 \$'000	Parent Entity Actual 2011-12 \$'000	
<b>Assets</b>			
Cash	10,111	20,483	Increase due to movement in receivables balance, partially offset by department investing in National E-Conveyancing Development Limited (NECDL).
Receivables	23,257	8,038	
Property, plant and equipment	10,245	8,990	Decrease due to large one-off receivable that existed at 30 June 2011, partially offset by post-MoG receivables.
Intangibles	36,477	31,993	
Financial assets	1,583	4,601	Decrease reflects 2011-12 depreciation partially offset by capital expenditure.
Other	3,736	8,890	
<b>Total assets</b>	<b>85,409</b>	<b>82,995</b>	Increase represents investments in NECDL during 2011-12.
<b>Liabilities</b>			
Payables	17,795	17,534	Increases relate to funds held in escrow for Tranche 2 of the NECDL and an accrual for SPER's cash balances.
Accrued employee benefits	2,241	3,107	
Other	3,896	1,186	Increase reflective of accrued benefits transferred in MoG changes.
<b>Total liabilities</b>	<b>23,932</b>	<b>21,827</b>	
<b>Net assets</b>	<b>61,477</b>	<b>61,168</b>	Decrease due to one-off large amount of unearned revenue that existed at 30 June 2011.
<b>Total equity</b>	<b>61,477</b>	<b>61,168</b>	

# Financial statements

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# Foreword

Queensland Treasury and Trade's Financial Statements are general purpose financial statements prepared in accordance with prescribed requirements including *Australian Accounting Standards* and the *Financial Reporting Requirements* issued by the Treasurer.

The Financial Statements comprise the following components:

- Statements of Comprehensive Income
- Statements of Financial Position
- Statements of Changes in Equity
- Statements of Cash Flows
- Statements of Comprehensive Income by Major Departmental Services
- Statements of Assets and Liabilities by Major Departmental Services
- Notes To and Forming Part of the Financial Statements.

Within the above components, the Financial Statements have been aggregated into the following disclosures (refer Notes 2(b) and 2(c) for full details of this aggregation):

## 1. Controlled

- (a) Queensland Treasury and Trade (as an entity in its own right and to which the remainder of this annual report refers) – column headed 'Parent Entity'
- (b) Consolidated (Queensland Treasury and Trade and its controlled entity Queensland Treasury Holdings Pty Ltd (QTH) and its subsidiaries) - column headed 'Consolidated Entity'.

## 2. Administered on behalf of the whole of Government - shaded statement and notes

In addition, the department administers transactions and balances in a trust or fiduciary capacity.

These are identified in Note 72.

Queensland Treasury and Trade and QTH are controlled by the State of Queensland which is the ultimate parent entity.

The head office and principal place of business of Queensland Treasury and Trade is:

Executive Building  
100 George Street  
GPO Box 611  
BRISBANE QLD 4001

**Statement of Comprehensive Income**  
for the year ended 30 June 2012

	Notes	Consolidated Entity		Parent Entity	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Income from continuing operations</b>					
<b>Revenue</b>					
Departmental service revenue	4	154,754	162,676	154,754	162,676
User charges	5	12,770	140,592	12,770	140,592
Grants and other contributions	6	236	734	236	734
Share of surplus/(deficit) of equity accounted joint venture investments	18	..	594	..	..
Interest revenue	7	26,479	9,358	..	..
Other revenue		985	709	937	699
Amortisation of unearned revenue	10	299	..	..	..
Dividend received		61,090	..	..	..
<b>Gains</b>					
Gain on sale of property, plant and equipment		7	24	7	24
Gain on financial assets at fair value	8	(10,796)	688,537	..	..
Gain on acquisition of subsidiary	9	3,009	..	..	..
<b>Total income from continuing operations</b>		<b>248,833</b>	<b>1,003,224</b>	<b>168,704</b>	<b>304,725</b>
<b>Expenses from continuing operations</b>					
Employee expenses	11	103,936	92,635	103,936	92,635
Supplies and services	12	46,235	182,118	46,235	182,118
Depreciation and amortisation	13	10,693	10,507	10,693	10,507
Grants and contributions	14	99	394	99	394
Borrowing costs	15	136,608	69,900	..	..
Finance costs	16	2,027	1,157	..	..
Operating leases	17	335	..	..	..
Other expenses	19	7,649	18,675	6,937	18,417
<b>Total expenses from continuing operations</b>		<b>307,582</b>	<b>375,386</b>	<b>167,900</b>	<b>304,071</b>
Income tax expense	20	(41,192)	187,977	..	..
<b>Operating result from continuing operations</b>		<b>(17,557)</b>	<b>439,861</b>	<b>804</b>	<b>654</b>
<b>Total comprehensive income</b>		<b>(17,557)</b>	<b>439,861</b>	<b>804</b>	<b>654</b>

The accompanying notes form part of these statements.

**Statement of Financial Position**  
as at 30 June 2012

	Notes	Consolidated Entity		Parent Entity	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Current assets</b>					
Cash and cash equivalents	21	64,865	146,752	20,483	10,111
Receivables	22	8,047	23,339	8,038	23,257
Lease receivables	23	19,438	..	..	..
Prepaid tax	24	..	1,613	..	..
Other	25	8,972	4,109	8,318	3,736
<b>Total current assets</b>		<b>101,322</b>	<b>175,813</b>	<b>36,839</b>	<b>37,104</b>
<b>Non-current assets</b>					
Other financial assets	26	2,807,580	2,805,505	4,601	1,583
Lease receivables	23	167,474	..	..	..
Loans and receivables	27	191,853	179,564	..	..
Investment accounted for using the equity method	41	..	3,009	..	..
Intangible assets	28	31,993	36,477	31,993	36,477
Property, plant and equipment	29	8,990	10,245	8,990	10,245
Deferred tax asset	30	61,983	20,964	..	..
Other	25	572	..	572	..
<b>Total non-current assets</b>		<b>3,270,445</b>	<b>3,055,764</b>	<b>46,156</b>	<b>48,305</b>
<b>Total assets</b>		<b>3,371,767</b>	<b>3,231,577</b>	<b>82,995</b>	<b>85,409</b>
<b>Current liabilities</b>					
Payables	31	17,850	35,384	17,534	17,795
Accrued employee benefits	32	3,107	2,241	3,107	2,241
Interest bearing liabilities	35	19,438	..	..	..
Tax liabilities		6	7	..	..
Unearned revenue	33/45	1,551	3,841	1,186	3,841
<b>Total current liabilities</b>		<b>41,952</b>	<b>41,473</b>	<b>21,827</b>	<b>23,877</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	34	208,539	208,902	..	..
Interest bearing liabilities	35	2,591,030	2,358,170	..	..
Unearned revenue	33/45	3,938	55	..	55
<b>Total non-current liabilities</b>		<b>2,803,507</b>	<b>2,567,127</b>	<b>..</b>	<b>55</b>
<b>Total liabilities</b>		<b>2,845,459</b>	<b>2,608,600</b>	<b>21,827</b>	<b>23,932</b>
<b>Net assets</b>		<b>526,308</b>	<b>622,977</b>	<b>61,168</b>	<b>61,477</b>
<b>Equity</b>					
Accumulated surplus		408,356	503,912	37,629	36,825
Contributed equity	2(ae)	117,952	119,065	23,539	24,652
<b>Total equity</b>		<b>526,308</b>	<b>622,977</b>	<b>61,168</b>	<b>61,477</b>

The accompanying notes form part of these statements.

**Statement of Changes in Equity**  
for the year ended 30 June 2012

	Notes	Consolidated Entity		Parent Entity	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Accumulated surplus</b>					
Balance 1 July	45	503,912	62,468	36,825	34,588
Operating result from continuing operations	45	(17,557)	439,861	804	654
Dividends paid		(77,999)	..	..	..
Prior year adjustments	26	..	1,583	..	1,583
Balance 30 June		<u>408,356</u>	<u>503,912</u>	<u>37,629</u>	<u>36,825</u>
<b>Contributed equity</b>					
Balance 1 July		119,065	33,213	24,652	33,213
Transactions with owners as owners:					
Appropriated equity injections	4	1,843	380	1,843	380
Appropriated equity withdrawals	4	(8,564)	(8,941)	(8,564)	(8,941)
Net assets transferred to QTH - Brisbane Port Holdings Pty Ltd	41/ 45	..	94,413	..	..
Net assets transferred to QTH - QR Network Pty Ltd		..	211,447	..	..
QTH net asset disposal through lease arrangement		..	(211,447)	..	..
Net assets transferred - machinery of Government (MoG) State Penalties Enforcement Registry from the Department of Justice and Attorney-General	3	3,652	..	3,652	..
Net assets transferred - machinery of Government Trade and Investment Queensland from the Department of Employment, Economic Development and Innovation	3	1,956	..	1,956	..
Balance 30 June		<u>117,952</u>	<u>119,065</u>	<u>23,539</u>	<u>24,652</u>
<b>Total equity</b>		<u>526,308</u>	<u>622,977</u>	<u>61,168</u>	<u>61,477</u>

The accompanying notes form part of these statements.

**Statement of Cash Flows**  
for the year ended 30 June 2012

	Notes	Consolidated Entity		Parent Entity	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>					
<i>Inflows:</i>					
Departmental service revenue		152,155	170,430	152,155	170,430
User charges		35,562	149,911	35,503	149,911
Grants and other contributions		236	..	236	..
Income tax equivalents		1,422	..	..	..
GST input tax credits from Australian Taxation Office (ATO)		6,733	18,553	6,666	18,549
Interest received		11,702	1,508	..	..
Other		935	831	935	831
<i>Outflows:</i>					
Employee expenses		(100,812)	(92,672)	(100,812)	(92,672)
Supplies and services		(73,678)	(199,738)	(54,985)	(199,648)
Grants and contributions		(99)	(394)	(99)	(394)
Interest paid		(136,608)	(69,901)	..	..
GST remitted to ATO		(9,713)	(6,965)	(9,656)	(6,965)
Income tax equivalents		..	(38)	..	..
Other		(7,066)	(19,024)	(7,066)	(19,024)
<b>Net cash provided by/(used in) operating activities</b>	36	(119,231)	(47,499)	22,877	21,018
<b>Cash flows from investing activities</b>					
<i>Inflows:</i>					
Sales of property, plant and equipment		7	25	7	25
Lease payments received		960	..	..	..
Proceeds from investments		2,500	..	..	..
Novation payments received		19,705	..	..	..
Sales of long-term investments		602	..	..	..
Acquisition of subsidiary net of cash acquired		244	109,778	..	..
<i>Outflows:</i>					
Payments for property, plant and equipment		(1,471)	(1,617)	(1,471)	(1,617)
Acquisition of investments		(5,249)	(2,287,146)	(5,249)	..
Payments for intangibles		(111)	(72)	(111)	(72)
<b>Net cash provided by/(used in) investing activities</b>		17,187	(2,179,032)	(6,824)	(1,664)
<b>Cash flows from financing activities</b>					
<i>Inflows:</i>					
Equity injections		1,843	379	1,843	379
Borrowings		127,002	2,357,047	..	..
Dividend received		61,090	..	..	..
<i>Outflows:</i>					
Repayment of borrowings		(84,255)	..	..	..
Dividend paid		(77,999)	..	..	..
Equity withdrawals		(8,564)	(8,942)	(8,564)	(8,942)
<b>Net cash provided by/(used in) financing activities</b>		19,117	2,348,484	(6,721)	(8,563)
Net increase/(decrease) in cash and cash equivalents		(82,927)	121,953	9,332	10,791
Cash and cash equivalents at beginning of financial year		146,752	24,799	10,111	(680)
Cash transfers due to MoG change		1,040	..	1,040	..
<b>Cash and cash equivalents at end of financial year</b>	21	64,865	146,752	20,483	10,111

Statement of Comprehensive Income by Major Departmental Services  
for the year ended 30 June 2012

	Financial and economic policy#		Economic and statistical research#		Revenue management#		GOC performance and governance#		Trade and investment#		General – not attributed**		Inter-output/ activity eliminations		Queensland Treasury and Trade	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Income from continuing operations*</b>																
<b>Revenue</b>																
Departmental service revenue	45,115	75,304	15,144	13,009	80,358	67,984	5,786	4,935	5,645	..	2,706	1,444	..	..	154,754	162,676
User charges	4,702	131,309	6,563	5,774	2,380	3,614	436	3,055	65	..	596	753	(1,972)	(3,913)	12,770	140,592
Grants and other contributions	66	74	36	37	131	602	9	10	(21)	..	15	11	..	..	236	734
Other revenue	521	34	16	32	314	625	6	4	72	..	8	4	..	..	937	699
<b>Gains</b>																
Gain on sale of property, plant and equipment	..	7	1	4	6	11	..	1	..	..	..	1	..	..	7	24
<b>Total income from continuing operations</b>	<b>50,404</b>	<b>206,728</b>	<b>21,760</b>	<b>18,856</b>	<b>83,189</b>	<b>72,836</b>	<b>6,237</b>	<b>8,005</b>	<b>5,761</b>	<b>..</b>	<b>3,325</b>	<b>2,213</b>	<b>(1,972)</b>	<b>(3,913)</b>	<b>168,704</b>	<b>304,725</b>
<b>Expenses from continuing operations*</b>																
Employee expenses	34,406	33,650	13,598	12,559	46,610	40,364	4,829	5,046	3,278	..	1,284	1,018	(69)	(2)	103,936	92,635
Supplies and services	11,399	155,143	6,223	5,194	25,972	22,003	1,039	2,672	1,835	..	1,662	1,001	(1,895)	(3,895)	46,235	182,118
Depreciation and amortisation	861	824	422	426	9,082	9,046	96	100	79	..	153	111	..	..	10,693	10,507
Grants and contributions	1	394	1	..	2	..	..	..	95	..	..	..	..	..	99	394
Other expenses	3,319	16,543	844	342	2,146	1,383	115	106	367	..	154	59	(8)	(16)	6,937	18,417
<b>Total expenses from continuing operations</b>	<b>49,986</b>	<b>206,554</b>	<b>21,088</b>	<b>18,521</b>	<b>83,812</b>	<b>72,796</b>	<b>6,079</b>	<b>7,924</b>	<b>5,654</b>	<b>..</b>	<b>3,253</b>	<b>2,189</b>	<b>(1,972)</b>	<b>(3,913)</b>	<b>167,900</b>	<b>304,071</b>
<b>Total comprehensive income</b>	<b>418</b>	<b>174</b>	<b>672</b>	<b>335</b>	<b>(623)</b>	<b>40</b>	<b>158</b>	<b>81</b>	<b>107</b>	<b>..</b>	<b>72</b>	<b>24</b>	<b>..</b>	<b>..</b>	<b>804</b>	<b>654</b>

\* Allocation of income and expenses to corporate services (disclosure only):

Income	7,785	9,486	3,901	3,658	13,968	12,577	1,082	1,045	533	..	2,595	2,154	..	..	29,864	28,920
Expenses	7,741	9,467	3,877	3,649	13,881	12,544	1,076	1,042	529	..	2,525	2,131	..	..	29,628	28,833
# refer to note 3																

\*\* 2012 Includes corporate support allocated to Motor Accident Insurance Commission, Nominal Defendant and Office of Liquor and Gaming Regulation

Statement of Assets and Liabilities by Major Departmental Services  
as at 30 June 2012

	Financial and economic policy*		Economic and statistical research*		Revenue management*		GOC performance and governance*		Trade and investment*		General - not attributed**		Queensland Treasury and Trade	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Current assets</b>														
Cash and cash equivalents	8,291	333	(1,381)	(1,702)	(5,125)	(4,798)	(186)	(1,364)	5,724	..	13,160	17,642	20,483	10,111
Receivables	1,207	18,250	1,189	2,115	997	1,034	338	1,046	428	..	3,879	812	8,038	23,257
Other	122	181	768	230	5,326	1,334	4	550	767	..	1,331	1,441	8,318	3,736
<b>Total current assets</b>	<b>9,620</b>	<b>18,764</b>	<b>576</b>	<b>643</b>	<b>1,198</b>	<b>(2,430)</b>	<b>156</b>	<b>232</b>	<b>6,919</b>	<b>..</b>	<b>18,370</b>	<b>19,895</b>	<b>36,839</b>	<b>37,104</b>
<b>Non-current assets</b>														
Other financial assets	..	..	..	..	4,601	1,583	..	..	..	..	..	..	4,601	1,583
Intangible assets	376	485	..	..	31,149	34,588	..	..	..	..	468	1,404	31,993	36,477
Property, plant and equipment	212	220	138	191	884	1,546	6	..	362	..	7,388	8,288	8,990	10,245
Other	..	..	..	..	..	..	..	..	572	..	..	..	572	..
<b>Total non-current assets</b>	<b>588</b>	<b>705</b>	<b>138</b>	<b>191</b>	<b>36,634</b>	<b>37,717</b>	<b>6</b>	<b>..</b>	<b>934</b>	<b>..</b>	<b>7,856</b>	<b>9,692</b>	<b>46,156</b>	<b>48,305</b>
<b>Total assets</b>	<b>10,208</b>	<b>19,469</b>	<b>714</b>	<b>834</b>	<b>37,832</b>	<b>35,287</b>	<b>162</b>	<b>232</b>	<b>7,853</b>	<b>..</b>	<b>26,226</b>	<b>29,587</b>	<b>82,995</b>	<b>85,409</b>
<b>Current liabilities</b>														
Payables	5,134	12,250	206	328	5,757	1,240	388	461	5,016	..	1,033	3,516	17,534	17,795
Accrued employee benefits	867	819	243	245	902	710	56	123	684	..	355	344	3,107	2,241
Unearned revenue	14	2,578	480	1,125	543	..	..	83	94	..	55	55	1,186	3,841
<b>Total current liabilities</b>	<b>6,015</b>	<b>15,647</b>	<b>929</b>	<b>1,698</b>	<b>7,202</b>	<b>1,950</b>	<b>444</b>	<b>667</b>	<b>5,794</b>	<b>..</b>	<b>1,443</b>	<b>3,915</b>	<b>21,827</b>	<b>23,877</b>
<b>Non-current liabilities</b>														
Unearned revenue	..	..	..	..	..	..	..	..	..	..	..	55	..	55
<b>Total non-current liabilities</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>55</b>	<b>..</b>	<b>55</b>
<b>Total liabilities</b>	<b>6,015</b>	<b>15,647</b>	<b>929</b>	<b>1,698</b>	<b>7,202</b>	<b>1,950</b>	<b>444</b>	<b>667</b>	<b>5,794</b>	<b>..</b>	<b>1,443</b>	<b>3,970</b>	<b>21,827</b>	<b>23,932</b>
<b>Net assets</b>	<b>4,193</b>	<b>3,822</b>	<b>(215)</b>	<b>(864)</b>	<b>30,630</b>	<b>33,337</b>	<b>(282)</b>	<b>(435)</b>	<b>2,059</b>	<b>..</b>	<b>24,783</b>	<b>25,617</b>	<b>61,168</b>	<b>61,477</b>

\* The department has systems in place to allocate assets and liabilities by departmental service

\*\* Includes assets and liabilities associated with corporate support functions

**Administered Statement of Comprehensive Income**  
for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Income and expenses administered on behalf of the whole of Government</b>			
<b>Income from continuing operations</b>			
<b>Revenue</b>			
Commonwealth grants	46	19,587,340	16,962,976
Taxes, fees, fines and levies	47	9,358,225	8,633,590
Royalties, property income and other territorial revenue	48	2,977,567	225,051
Interest	49	33,781	31,575
Administered item revenue	50	6,363,548	4,355,785
Other revenue	51	132,462	42,378
<b>Total income from continuing operations</b>		<b>38,452,923</b>	<b>30,251,355</b>
<b>Expenses from continuing operations</b>			
Employee expenses	52	5,021	5,022
Supplies and services	53	157,551	159,299
Impairment losses	54	16,592	13,337
Grants and contributions	55	388,716	221,212
Benefit payments	56	238,370	123,780
Interest	57	47,822	62,412
Superannuation benefit payments		2,123,762	1,140,000
Long service leave reimbursements		398,658	315,471
Annual Leave Central Scheme claims paid		1,427,525	1,279,235
Borrowing costs	58	1,431,853	938,959
Other expenses	59	132,164	104,724
<b>Total expenses from continuing operations</b>		<b>6,368,034</b>	<b>4,363,451</b>
<b>Operating result from continuing operations before transfers to Government</b>		<b>32,084,889</b>	<b>25,887,904</b>
<b>Transfers of administered comprehensive income to Government</b>		<b>32,084,889</b>	<b>25,893,627</b>
<b>Total administered comprehensive income</b>	<b>60</b>	<b>..</b>	<b>(5,723)</b>

*The accompanying notes form part of these statements.*

**Administered Statement of Financial Position**  
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Assets and liabilities administered on behalf of the whole of Government</b>			
<b>Current assets</b>			
Cash and cash equivalents	61	1,117,920	3,009,114
Receivables	62	739,388	578,336
Accrued taxes, fees and fines		314,232	292,849
Other	63	396,662	53,604
<b>Total current assets</b>		<b>2,568,202</b>	<b>3,933,903</b>
<b>Non-current assets</b>			
Receivables	62	165,918	100,252
<b>Total non-current assets</b>		<b>165,918</b>	<b>100,252</b>
<b>Total administered assets</b>		<b>2,734,120</b>	<b>4,034,155</b>
<b>Current liabilities</b>			
Payables	64	570,696	439,225
Transfer to Government payable		1,329,027	951,491
Interest-bearing liabilities	65	8,761	8,761
Other	66	23,287	149,545
<b>Total current liabilities</b>		<b>1,931,771</b>	<b>1,549,022</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	65	26,470,962	20,332,475
<b>Total non-current liabilities</b>		<b>26,470,962</b>	<b>20,332,475</b>
<b>Total administered liabilities</b>		<b>28,402,733</b>	<b>21,881,497</b>
<b>Administered net assets</b>		<b>(25,668,613)</b>	<b>(17,847,342)</b>
<b>Equity</b>			
Accumulated surplus		12,579	12,579
Contributed equity	2 (ae)	(25,681,192)	(17,859,921)
<b>Total administered equity</b>		<b>(25,668,613)</b>	<b>(17,847,342)</b>

*The accompanying notes form part of these statements.*

**Administered Statement of Changes in Equity**  
for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Equity administered on behalf of the whole of Government</b>			
<b>Accumulated surplus</b>			
Balance 1 July		12,579	18,302
Total administered comprehensive income		..	(5,723)
Balance 30 June		<u>12,579</u>	<u>12,579</u>
<b>Contributed equity</b>			
Balance 1 July		(17,859,921)	(11,554,151)
Equity injections	50	119,430	7,476,283
Equity withdrawals	50	(201,030)	(534,900)
Non-appropriated equity injections		200,860	404,682
Non-appropriated equity withdrawals		(7,940,531)	(13,651,835)
Balance 30 June		<u>(25,681,192)</u>	<u>(17,859,921)</u>
<b>Total administered equity</b>		<u>(25,668,613)</u>	<u>(17,847,342)</u>

*The accompanying notes form part of these statements.*

**Administered Statement of Cash Flows**  
for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Cash flows administered on behalf of the whole of Government</b>			
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Administered item receipts		6,494,397	4,364,021
Grants and other contributions		19,634,891	16,962,983
Taxes, fees and fines		9,275,491	8,451,000
Royalties, property income and other territorial revenues		3,419,778	203,782
Interest		34,063	29,360
GST input tax credits from ATO		4,913	2,562
Other		72,288	38,425
<i>Outflows:</i>			
Transfers to Government		(32,795,693)	(25,225,797)
Grants and contributions		(506,017)	(331,207)
Interest paid to departments		(52,144)	(47,726)
Borrowing costs		(1,443,275)	(932,458)
Supplies and services		(90,776)	(267,307)
GST remitted to ATO		(13,192)	(11,409)
Superannuation benefit payments		(2,123,762)	(1,140,000)
Long service leave reimbursements		(393,025)	(308,275)
Annual leave reimbursements		(1,392,040)	(1,243,896)
Other		(184,238)	(130,248)
<b>Net cash provided by/(used in) operating activities</b>	67	<b>(58,342)</b>	<b>413,810</b>
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Loans and advances		15,384	63,887
<i>Outflows:</i>			
Loans and advances made		(81,054)	(15,488)
<b>Net cash provided by/(used in) investing activities</b>		<b>(65,670)</b>	<b>48,399</b>
<b>Cash flows from financing activities</b>			
<i>Inflows:</i>			
Equity injections		303,578	7,880,965
Borrowings		7,047,967	8,437,729
<i>Outflows:</i>			
Borrowing redemptions		(958,762)	(7,187,050)
Equity withdrawals		(8,159,965)	(7,921,180)
<b>Net cash provided by/(used in) financing activities</b>		<b>(1,767,182)</b>	<b>1,210,464</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,891,194)</b>	<b>1,672,673</b>
<b>Administered cash and cash equivalents at beginning of financial year</b>		<b>3,009,114</b>	<b>1,336,441</b>
<b>Administered cash and cash equivalents at end of financial year</b>	61	<b>1,117,920</b>	<b>3,009,114</b>

*The accompanying notes form part of these statements.*

Administered Statement of Comprehensive Income by Major Departmental Services  
for the year ended 30 June 2012

	Financial and economic policy		Revenue management		Other*		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Income and expenses administered on behalf of the whole of Government</b>								
<b>Income from continuing operations</b>								
Revenue								
Commonwealth grants	19,587,340	16,962,976	..	..	..	..	19,587,340	16,962,976
Taxes, fees, fines and levies	..	..	9,342,146	8,631,405	16,079	2,185	9,358,225	8,633,590
Royalties, property income and other territorial revenue	211,508	224,933	2,766,012	..	47	118	2,977,567	225,051
Interest	..	..	28,160	25,716	5,621	5,859	33,781	31,575
Administered item revenue	170,104	170,754	396,429	148,751	5,797,015	4,036,280	6,363,548	4,355,785
Other revenue	2,101	2,703	..	(6)	130,361	39,681	132,462	42,378
<b>Total income from continuing operations</b>	<b>19,971,053</b>	<b>17,361,366</b>	<b>12,532,747</b>	<b>8,805,866</b>	<b>5,949,123</b>	<b>4,084,123</b>	<b>38,452,923</b>	<b>30,251,355</b>
<b>Expenses from continuing operations</b>								
Employee expenses	338	(35)	..	..	4,683	5,057	5,021	5,022
Supplies and services	137,343	136,294	3,584	6,710	16,624	16,295	157,551	159,299
Impairment loss	..	..	16,592	13,337	..	..	16,592	13,337
Grants and contributions	32,408	34,494	126,672	4,704	229,636	182,014	388,716	221,212
Benefit payments	..	..	238,121	123,780	249	..	238,370	123,780
Interest	..	..	..	..	47,822	62,412	47,822	62,412
Superannuation benefit payments	..	..	..	..	2,123,762	1,140,000	2,123,762	1,140,000
Long service leave reimbursements	..	..	..	..	398,658	315,471	398,658	315,471
Annual Leave Central Scheme claims paid	..	..	..	..	1,427,525	1,279,235	1,427,525	1,279,235
Borrowing costs	..	..	27	221	1,431,826	938,738	1,431,853	938,959
Other expenses	16	..	..	..	132,148	104,724	132,164	104,724
<b>Total expenses from continuing operations</b>	<b>170,105</b>	<b>170,753</b>	<b>384,996</b>	<b>148,752</b>	<b>5,812,933</b>	<b>4,043,946</b>	<b>6,368,034</b>	<b>4,363,451</b>
<b>Operating result from continuing operations before transfers to Government</b>	<b>19,800,948</b>	<b>17,190,613</b>	<b>12,147,751</b>	<b>8,657,114</b>	<b>136,190</b>	<b>40,177</b>	<b>32,084,889</b>	<b>25,887,904</b>
Transfers of administered comprehensive income to Government	19,800,948	17,190,613	12,147,751	8,657,114	136,190	45,900	32,084,889	25,893,627
<b>Total administered comprehensive income</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>(5,723)</b>	<b>..</b>	<b>(5,723)</b>

\* Includes corporate services, superannuation, whole of Government offset account, central schemes (insurance, annual leave and long service leave) and Community Investment Fund

Administered Statement of Assets and Liabilities by Major Departmental Services  
as at 30 June 2012

	Financial and economic policy*		Revenue management*		Other **		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Assets and liabilities administered on behalf of the whole of Government</b>								
<b>Current assets</b>								
Cash and cash equivalents	(302,982)	(26,374)	137,267	83,082	1,283,635	2,952,406	1,117,920	3,009,114
Receivables	134,825	222,038	600,028	325,096	4,535	31,202	739,388	578,336
Accrued taxes, fees and fines	..	..	314,232	292,849	..	..	314,232	292,849
Other	52,818	48,802	318,221	..	25,623	4,802	396,662	53,604
<b>Total current assets</b>	<b>(115,339)</b>	<b>244,466</b>	<b>1,369,748</b>	<b>701,027</b>	<b>1,313,793</b>	<b>2,988,410</b>	<b>2,568,202</b>	<b>3,933,903</b>
<b>Non-current assets</b>								
Receivables	..	170	..	..	165,918	100,082	165,918	100,252
<b>Total non-current assets</b>	<b>..</b>	<b>170</b>	<b>..</b>	<b>..</b>	<b>165,918</b>	<b>100,082</b>	<b>165,918</b>	<b>100,252</b>
<b>Total administered assets</b>	<b>(115,339)</b>	<b>244,636</b>	<b>1,369,748</b>	<b>701,027</b>	<b>1,479,711</b>	<b>3,088,492</b>	<b>2,734,120</b>	<b>4,034,155</b>
<b>Current liabilities</b>								
Payables	77,511	6,751	1,334	731	491,851	431,743	570,696	439,225
Transfer to Government payable	(83,856)	227,280	1,355,045	684,421	57,838	39,790	1,329,027	951,491
Interest-bearing liabilities	..	..	..	..	8,761	8,761	8,761	8,761
Other	..	119,430	12,923	15,429	10,364	14,686	23,287	149,545
<b>Total current liabilities</b>	<b>(6,345)</b>	<b>353,461</b>	<b>1,369,302</b>	<b>700,581</b>	<b>568,814</b>	<b>494,980</b>	<b>1,931,771</b>	<b>1,549,022</b>
<b>Non-current liabilities</b>								
Interest-bearing liabilities	..	..	..	..	26,470,962	20,332,475	26,470,962	20,332,475
<b>Total non-current liabilities</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>26,470,962</b>	<b>20,332,475</b>	<b>26,470,962</b>	<b>20,332,475</b>
<b>Total administered liabilities</b>	<b>(6,345)</b>	<b>353,461</b>	<b>1,369,302</b>	<b>700,581</b>	<b>27,039,776</b>	<b>20,827,455</b>	<b>28,402,733</b>	<b>21,881,497</b>
<b>Administered net assets</b>	<b>(108,994)</b>	<b>(108,825)</b>	<b>446</b>	<b>446</b>	<b>(25,560,065)</b>	<b>(17,738,963)</b>	<b>(25,668,613)</b>	<b>(17,847,342)</b>

\* The department has systems in place to allocate assets and liabilities by departmental service.

\*\* Includes corporate services, superannuation, whole of Government offset account, central schemes (insurance, annual leave and long service leave) and Community Investment Fund.

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Notes To and Forming Part of the Financial Statements 2011-12

## 1 Objectives of the Department

Queensland Treasury and Trade provides economic and financial policy advice to the Queensland Government to enhance our State's financial position and economic performance. The department also takes a lead role in assisting the Government to be accountable and transparent in delivering services to the community.

The department is predominantly funded by parliamentary appropriations. Its structure consists of Treasury Office and four portfolio offices, allowing for a streamlined approach to dealing with policy and service delivery issues. The department is structured to help the Government meet its fiscal objectives as required in the *Charter of Fiscal Responsibility*.

The department contributes to the Government's statement of objectives for the community, listed below, by building the State's economic growth and ensuring that the Government's resources improve the quality of life and achieve value for money for Queenslanders.

1. Grow a four pillar economy (through agriculture, tourism, resources and construction)
2. Lower the cost of living for families by cutting waste
3. Deliver better infrastructure and better planning
4. Revitalise front line services for families
5. Restore accountability in Government.

## 2 Summary of significant accounting policies

The significant policies, which have been adopted in the preparation of these financial statements, are as follows:

### (a) Statement of compliance

Queensland Treasury and Trade 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, prepared in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with the Treasurer's Minimum Reporting Requirements for the year ended 30 June 2012 and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the department has applied those requirements applicable to not-for-profit entities, as the department is a not-for-profit entity. Except where stated, the financial statements have been prepared in accordance with the historical cost convention.

The accrual basis of accounting has been adopted for both controlled transactions and balances, and those administered by the department on a whole of Government basis.

### (b) The reporting entity and principles of consolidation

The consolidated financial statements include the value of all revenues, expenses, assets, liabilities and equity of the department and the entity that it controls. Details of the department's controlled entity are disclosed in note 40.

The department as an economic entity consists of the parent entity together with QTH as a controlled entity. In order to provide enhanced disclosure, the department has adopted the principles outlined in Australian Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*. This approach is considered appropriate as it reflects the relationship between the department's core business activities and those of its controlled entity. In the process of reporting the department as a single economic entity, all transactions with the entity controlled by the department have been eliminated (where material).

The department also controls Queensland Trade and Investment Office Pty Ltd. The entity is not consolidated with Queensland Treasury and Trade's financial statements because the amount of Queensland Treasury and Trade's investment in the controlled entity is not considered material.

Notes To and Forming Part of the Financial Statements 2011-12

## 2 Summary of significant accounting policies (continued)

Where control of an entity is obtained during the financial year, its results are included in the consolidated Statement of Comprehensive Income from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year in which control existed.

### (c) Administered transactions and balances

Those revenues, expenses, assets and liabilities under the discretionary control of the department are classified as controlled transactions or balances.

The department administers, but does not control, certain resources on behalf of the Government such as the collection of State taxes, royalties and levies. 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.

Transactions and balances relating to administered resources are not recognised as controlled revenues, expenses, assets or liabilities, but are disclosed separately as administered transactions and balances in the shaded administered statements and associated notes.

### (d) Trust transactions and balances

The department administers certain transactions and balances in a trust or fiduciary capacity such as the ICT Innovation Fund and Treasurer of Queensland Accounts.

As the department performs only a custodial role in respect of these transactions and balances, they are not recognised in the financial statements, but are disclosed in note 72. While these transactions and balances are in the care of the department, they are subject to the department's normal system of internal control and external audit by the Auditor-General.

### (e) Departmental service revenue/administered item revenue

Appropriations provided under the Annual Appropriation Act are recognised as revenue when received or when approved as an accrual at year end.

Amounts appropriated to the department for transfer to other entities in accordance with legislation or other requirements are not controlled by the department and such amounts are reported as administered item appropriations.

### (f) User charges, taxes, fees, fines and levies

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.

Taxes, fees, fines and levies collected but not controlled by the department are reported as administered revenue and are disclosed in note 47. Administered revenue also includes royalties, interest, penalties and relevant fees.

Administered revenue is recognised when one or more of the following events is satisfied:

- the underlying transaction or event which gives rise to the right to collect the revenue occurs and can be measured reliably
- the assessment is raised by the self assessor (a person who lodges transactions on-line)
- the assessment is issued as a result of Commissioner assessed transactions or following compliance activities such as reviews and audits

### (g) Grants and other contributions

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

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

Notes To and Forming Part of the Financial Statements 2011-12

## 2 Summary of significant accounting policies (continued)

### (h) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions. Cash assets include investments with short periods to maturity that are readily convertible to cash on hand at the department's option and that are subject to a low risk of changes in value.

### (i) Receivables

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

The collectability of receivables is assessed periodically with provision made for impairment. All known bad debts were written-off as at 30 June. Increases in the provision for impairment are based on loss events as disclosed in note 44 and note 71. A financial asset is impaired if objective evidence indicates a loss event has occurred after the initial recognition, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Loans and advances are brought to account at amortised cost.

Other debtors arise from transactions outside the usual operating activities of the department and are recognised at their assessed amounts.

Loans and receivables are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

### (j) Non-current assets classified as held for sale

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

These assets are measured at the lower of the assets' carrying amounts and their fair values less costs to sell. The assets are not depreciated.

### (k) Investments in jointly controlled entities

Investments in jointly controlled entities are accounted for using the equity method.

Under the equity method of accounting, the share of the profits or losses of the joint venture entity is recognised in the Statement of Comprehensive Income.

Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

### (l) Acquisition of assets

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

Where assets are received free of charge from another Queensland Government entity (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*.

Notes To and Forming Part of the Financial Statements 2011-12

## 2 Summary of significant accounting policies (continued)

### (m) Property, plant and equipment

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

Land	\$1
Plant and equipment	\$5,000

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

Items or components which form an integral part of an asset are recognised as a single asset (functional asset). The recognition threshold is applied to the aggregate cost of each functional asset.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

### (n) Investment property

Investment property consists of assets held to earn rental income or for capital appreciation. Where investment property is subject to a finance lease, all land, buildings and infrastructure associated with the lease are derecognised.

### (o) Intangibles

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

The department's intangible assets include internally generated software, purchased software and software development in progress.

It has been determined that there is no active market for any of the department's intangible assets. As such, these 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 is amortised on a straight-line basis over its estimated useful life to the department of three to eleven years, with zero residual value.

Costs associated with the development of computer software have been capitalised to the extent that future economic benefits are more rather than less likely to eventuate and are amortised on a straight line basis over the period of the expected benefit to the department, which varies from three to fourteen years with zero residual value.

Software licences are expensed due to the changing nature of software except where the amounts are of significant value and the department expects to receive benefits over three or more years. In this instance, the software is capitalised as an intangible asset and amortised over the period in which the related benefits are expected to be realised with zero residual value.

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

Notes To and Forming Part of the Financial Statements 2011-12

## 2 Summary of significant accounting policies (continued)

### (p) Amortisation and depreciation of intangibles, 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.

Property, plant and equipment assets are depreciated on a straight-line basis so as to allocate the net cost or re-valued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the department. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Assets under construction (work-in-progress) are not depreciated/amortised until they reach 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 or intangibles.

The cost (or other value) of leasehold improvements is depreciated over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is shorter.

Where assets have separately identifiable components that are subject to 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.

For each class of depreciable asset, the following depreciation/amortisation rates were used:

Class	Depreciation/amortisation rates
Plant and equipment	
– IT and communications	16.6% - 33.3%
– Furniture and office amenities	10%
– Office equipment	14.3% - 33.3%
– Leasehold improvements	8.3% - 20%
– Motor Vehicles	20%
Intangibles	
– Internally generated software	7.14% - 33.3%
– Purchased software/licences	9.09% - 33.3%

### (q) Revaluations of non-current physical assets

Land is measured at fair value which is not depreciated as it has an indefinite useful life in accordance with AASB 116 *Property, Plant and Equipment* and *Non-Current Asset Policies for the Queensland Public Sector*. In respect of this asset class, the cost of items acquired during the financial year has been judged by management of the department to materially represent their fair value at the end of the reporting period.

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

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

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 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.

Notes To and Forming Part of the Financial Statements 2011-12

## 2 Summary of significant accounting policies (continued)

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

### (r) Impairment of non-current assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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 the impairment loss is recognised as income unless the asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Refer to note 2(q).

### (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.

The department has entered into a number of operating leases whereby the lessor effectively retains substantially the entire risks and benefits incidental to ownership. Non-cancellable operating lease commitments are disclosed under note 38 and 41.

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

### (t) Other financial assets

The department classifies its investments based on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss are financial assets either held for trading or for which fair value is more representative of the nature of the assets. Unrealised gains and losses are brought to account in the Statement of Comprehensive Income.

Investments in unlisted equity instruments that do not have a quoted market price in an active market are measured at cost.

### (u) Payables

Trade creditors are recognised upon receipt of goods and services at the contracted amount to be paid for the goods and services received. Amounts owing are generally settled on 30 day terms.

### (v) Interest-bearing liabilities

Loans payable are recognised at amortised cost. Interest on the Queensland Treasury Corporation (QTC) Floating Rate Debt Pool and Government Debt Pool is accrued and paid to QTC each quarter.

The fair value of these loans is disclosed in note 71.

Notes To and Forming Part of the Financial Statements 2011-12

## 2 Summary of significant accounting policies (continued)

### (w) Financial instruments

#### *Recognition*

Financial assets and financial liabilities are recognised in the Statements 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 and loss
- Receivables – held at amortised cost
- Other financial assets:
  - shares held in listed companies at fair value through profit or loss
  - shares held in unlisted companies at cost
- Loans and advances – 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, and 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 expects to defer settlement until at least 12 months after reporting date.

The department does not enter into transactions for speculative purposes.

All disclosures relating to the measurement basis and financial risk management of financial instruments held by the consolidated entity are included in notes 44 and 71.

### (x) 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.

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 after projecting the remuneration rates expected to apply at the time of likely settlement.

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.

## 2 Summary of significant accounting policies (continued)

### *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.

Effective from 30 June 2008, no provision for annual leave has been 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*.

### *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. Levies are expensed in the period in which they are paid or payable.

Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears. Therefore, 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 those financial statements prepared pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

### *Superannuation*

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

No liability is recognised for accruing superannuation benefits in these financial statements, the liability being 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*.

### *Key executive management personnel and remuneration*

Key executive management personnel and remuneration disclosures are made in accordance with section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury and Trade (the Financial Management Branch). Refer to note 11 for the disclosures on key executive management personnel and remuneration.

### (y) **Borrowing costs**

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings
- amortisation of discounts or premiums relating to borrowings
- ancillary administration charges.

No borrowing costs are capitalised into qualifying assets.

### (z) **Taxation**

Queensland Treasury and Trade and its consolidated entity are State bodies as defined under the *Income Tax Assessment Act 1936* and are exempt from Commonwealth taxation with the exception of fringe benefits tax (FBT) and goods and services tax (GST). As such, FBT and GST credits receivable from/payable to the Australian Taxation Office (ATO) are recognised and accrued.

The consolidated entity was not included within the National Tax Equivalents Regime (NTER) which is intended to promote competitive neutrality through a uniform application of Commonwealth income tax laws. Accordingly, no income tax expense or liability has been recognised up to and including the financial year ended 30 June 2010. From 1 July 2010, following the recent asset sales under the Renewing Queensland Plan, the consolidated entity has expanded its activities resulting in certain entities being registered under the NTER.

## 2 Summary of significant accounting policies (continued)

The consolidated entity falls under the Taxation of Financial Arrangements (TOFA) which were introduced for financial years beginning 1 July 2010. TOFA legislation applies to certain financial arrangements of an entity within the scope of TOFA. QTH applies the default realisation and accrual methods allowed under TOFA which defers tax payable on gains and losses to income years when realised.

In calculating the income tax equivalent expense, tax effect accounting principles are adopted for income received and expenses paid in relation to the activities of entities in the NTER. Deferred income tax liabilities are recognised for all taxable temporary differences arising from prepayments of expenditure. Deferred tax assets are recognised where it is probable that future taxable income will be available against which the temporary differences can be utilised.

### (aa) 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 as an expense. Examples of such services provided include archival services provided by Queensland State Archives.

### (ab) Allocation of revenues and expenses from ordinary activities of corporate services

The department allocates revenues and expenses attributable to corporate services to its controlled services in the Statement of Comprehensive Income by major departmental services based on the average usage patterns of the services' key drivers of costs.

### (ac) Insurance

The department's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund with premiums paid on a risk assessment basis. In addition, the department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

### (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.

### (ae) Contributed equity

The negative contributed equity position reported in the department's Administered Statement of Financial Position primarily represents whole of Government borrowings on-forwarded to the Consolidated Fund to inject into other departments to satisfy their capital requirements.

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.

### (af) Issuance of financial statements

The financial statements are authorised for issue by the Under Treasurer and Chief Financial Officer at the date of signing the Management Certificate.

### (ag) Judgements and assumptions

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 note 70 Contingencies.

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

Notes To and Forming Part of the Financial Statements 2011-12

## 2 Summary of significant accounting policies (continued)

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

Section 4.3.4 of Queensland Treasury'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 percent over the period 2012-13 to 2015-16.

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

### (ah) New and revised accounting policies and standards

The department did not voluntarily change any of its accounting policies during 2011-12. Australian accounting standard changes applicable for the first time for 2011-12 have had minimal effect on the Department's financial statements, as explained below.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]* became effective from reporting periods beginning on or after 1 January 2011. The department has made changes with respect to its disclosures about credit risk on financial instruments in notes 44(c) and 71 (c). The department is no longer required to disclose amounts that best represent an entity's maximum exposure to credit risk where the carrying amount of the instruments reflects this. There is now no need to disclose the carrying amount of financial assets for which the terms have been renegotiated, which would otherwise be past due or impaired.

Also, for those financial assets that are either past due but not impaired, or have been individually impaired, there is no need to separately disclose details about any associated collateral or other credit enhancements held by the department.

AASB 1054 *Australian Additional Disclosures* became effective from reporting periods beginning on or after 1 July 2011. Given the department's previous disclosure practices, AASB 1054 had minimal impact on the department. One of the footnotes to note 19 Other expenses, regarding audit fees, has been slightly amended to identify the department's auditor and clarify the nature of the work performed by the auditor.

AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]* also became effective from reporting periods beginning on or after 1 July 2011. The only potential implication for the department from this amending standard was the deletion from AASB 101 *Presentation of Financial Statements* of the requirement for disclosure of commitments. However, Treasury Department's Financial Reporting Requirements require continuation of commitments disclosures, so this deletion from AASB 101 has no impact on the department's commitments for expenditure notes 38 and 69, or investment in jointly controlled entity note 41.

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

## 2 Summary of significant accounting policies (continued)

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

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

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on the department are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The department has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the department’s conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the department enters into, it is not expected that any of the department’s financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the department’s financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in notes 2(w), 44 and 71 Financial instruments). 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.

Changed disclosure requirements will apply once AASB 9 becomes effective. A number of one-off disclosures will be required in the 2013-14 financial statements to explain the impact of adopting AASB 9.

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

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 127 (revised) *Separate Financial Statements*
- AASB 128 (revised) *Investments in Associates and Joint Ventures*

## 2 Summary of significant accounting policies (continued)

- AASB 2011 -7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17].

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

AASB 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 and AASB 2011-11 (which also apply from reporting periods beginning on or after 1 July 2013). However, Treasury Department'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 Queensland Treasury and Trade 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 (the Financial Management Branch) is the regulator and management has advised that its policy decision is to require all Queensland Government departments to adopt tier 1 reporting requirements. Treasury and Trade's policy also prohibits the early adoption of the arrangements outlined in AASB 1053 and its accompanying amending standards. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the department.

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

Notes To and Forming Part of the Financial Statements 2011-12

### 3 Departmental Services

The identity and purpose of each major service undertaken by the department during the year is summarised below.

**Financial and economic policy**

Treasury Office provides policies, strategies and advice at a whole of Government level to promote value-for-money service delivery, manage the State's finances in accordance with the *Charter of Fiscal Responsibility* and advance the performance of the Queensland economy to support growth and employment.

**Government-owned corporations performance and governance**

The Office of Government Owned Corporations (OGOC) provides advice and support to shareholding Ministers in administering the Government's shareholding in GOCs, which operate on the basis of competitive neutrality. This includes taking a strategic approach to policy development for GOCs, monitoring performance and ensuring compliance with relevant legislation.

**Economic and statistical research**

The Office of Economic and Statistical Research (OESR) is responsible for providing whole of Government statistical, economic and demographic services including statistics, modelling and data management. OESR provides advice to the Treasurer and other key stakeholders on policies to promote economic efficiency and flexibility.

**Revenue management**

The Office of State Revenue (OSR) delivers and administers revenue management services for Queensland taxes (comprising payroll tax, land tax and gambling taxes), duties and grants. OSR also conduct revenue compliance and debt recovery activities and provide legislative and policy advice to the Queensland Government to help maintain and improve the State's revenue system.

**Trade and Investment Queensland**

Trade and Investment Queensland (TIQ) aims to help Queensland companies earn more export dollars through an individualised and targeted service. TIQ provides a range of export assistance services through a team that possesses international business experience, multilingual skills and international business contacts. Services include export capability assessment, practical export advice, export skills development programs, introduction to potential business partners and export opportunities, visits to overseas markets and on the ground support and introductions to inbound buyers visiting Queensland.

#### Major activities of the department 2011-12

**Major activities – transfer of Mining Royalties from the former Department of Employment, Economic Development and Innovation (DEEDI) to Queensland Treasury and Trade.**

This transfer occurred as a consequence of a machinery of Government change with effect from 1 July 2011.

The following **administered** assets and liabilities of Mining Royalties were transferred from DEEDI to Queensland Treasury and Trade:

	\$'000
Assets	
Receivables	768,600
	768,600
Liabilities	
Transfer to Government payable	768,600
	768,600
Net assets	0

**Controlled** appropriation revenue of \$395,000 for 2011-12 was transferred to Queensland Treasury and Trade.

Notes To and Forming Part of the Financial Statements 2011-12

### 3 Departmental Services (continued)

**Major activities – transfer of Trade and Investment Queensland from the former Department of Employment, Economic Development and Innovation (DEEDI) to Queensland Treasury.**

This transfer occurred as a consequence of a machinery of Government change with effect from 1 May 2012.

The following controlled assets and liabilities of Trade and Investment Queensland were transferred from DEEDI to Queensland Treasury:

	\$'000
Assets	
Cash	1,680
Receivables	71
Other assets - current	140
Property plant and equipment	343
Other assets - non-current	573
	<u>2,807</u>
Liabilities	
Payables	233
Accrued employee benefits	512
Other	106
	<u>851</u>
Net assets	<u><u>1,956</u></u>

The increase in net assets of \$1.956M has been accounted for as an increase in the contributed equity as disclosed in the Statement of Changes in Equity.

Appropriation revenue of \$7.844M for 2011-12 was also transferred to Queensland Treasury and Trade.

Notes To and Forming Part of the Financial Statements 2011-12

### 3 Departmental Services (continued)

**Major activities – transfer of State Penalties Reinforcement Registry (SPER) from the Department of Justice and Attorney-General (JAG) to Queensland Treasury and Trade.**

This transfer occurred as a consequence of a machinery of Government change with effect from 1 June 2012.

The following **controlled** assets and liabilities of SPER were transferred from JAG to Queensland Treasury and Trade:

	\$'000
Assets	
Cash	2,024
Receivables	64
Prepayments	14
Property plant and equipment/intangibles	3,652
	<u>5,754</u>
Liabilities	
Trade creditors	1,771
Payables	51
Accrued employee benefits	280
	<u>2,102</u>
	<u>3,652</u>
Net assets	<u><u>3,652</u></u>

The increase in net assets of \$3.652M has been accounted for as an increase in the contributed equity as disclosed in the Statement of Changes in Equity.

Appropriation revenue of \$2.076M for 2011-12 was also transferred to Queensland Treasury and Trade.

**Major activities – transfer of State Penalties Reinforcement Registry (SPER) from the Department of Justice and Attorney-General (JAG) to Queensland Treasury and Trade.**

This transfer occurred as a consequence of a machinery of Government change with effect from 1 June 2012.

The following administered assets and liabilities of SPER were transferred from JAG to Queensland Treasury and Trade:

	\$'000
Assets	
Cash	3,176
Receivables	319,789
	<u>322,965</u>
Liabilities	
Transfer to Government Payable	322,965
	<u>322,965</u>
Net assets	<u><u>0</u></u>

No administered appropriation revenue for 2011-12 was transferred to Queensland Treasury and Trade.

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>4 Reconciliation of payments from Consolidated Fund to service revenue recognised in the Statement of Comprehensive Income</b>				
Budgeted departmental service appropriation	156,325	263,084	156,325	263,084
Transfer (to)/from other departments	9,152	..	9,152	..
Transfer (to)/from other heading	(13,322)	(92,654)	(13,322)	(92,654)
Unforeseen expenditure	..	..	..	..
Total Departmental service receipts	<u>152,155</u>	<u>170,430</u>	<u>152,155</u>	<u>170,430</u>
Less opening balance of Departmental service appropriation receivable	..	(7,754)	..	(7,754)
Plus opening balance of Departmental service appropriation payable	2,599	..	2,599	..
Less closing balance of Departmental service appropriation payable	..	(2,599)	..	(2,599)
Plus Departmental service appropriation refundable to Consolidated Fund expense	..	2,599	..	2,599
Departmental service revenue recognised in Statement of Comprehensive Income	<u>154,754</u>	<u>162,676</u>	<u>154,754</u>	<u>162,676</u>
<b>Reconciliation of payments from Consolidated Fund to appropriated equity adjustments recognised in contributed equity</b>				
Budgeted equity adjustment appropriation	(3,852)	(9,094)	(3,852)	(9,094)
Transfer (to)/from other heading	(2,867)	533	(2,867)	533
Unforeseen expenditure	..	..	..	..
Total equity adjustment receipts	<u>(6,719)</u>	<u>(8,561)</u>	<u>(6,719)</u>	<u>(8,561)</u>
Appropriated equity adjustment recognised in contributed equity	<u>(6,719)</u>	<u>(8,561)</u>	<u>(6,719)</u>	<u>(8,561)</u>
<b>5 User charges</b>				
Sale of goods	87	73	87	73
Sale of services*	<u>12,683</u>	<u>140,519</u>	<u>12,683</u>	<u>140,519</u>
	<u>12,770</u>	<u>140,592</u>	<u>12,770</u>	<u>140,592</u>

\* In 2010-11 the Department received one-off reimbursements for costs incurred in selling Government assets.

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>6 Grants and other contributions</b>				
Resources received below fair value	263	734	263	734
Other	(27)	..	(27)	..
	<u>236</u>	<u>734</u>	<u>236</u>	<u>734</u>

**7 Interest revenue**

Interest - Bank	592	162	..	..
Interest - QTC Cash Fund and Working Capital Facility	1,488	1,393	..	..
Interest - QIC Growth Fund	794	..	..	..
Net fair value (loss) - QIC Growth Fund	(790)	..	..	..
Interest - lease receivables *	9,606	..	..	..
Interest - loans and receivables **	14,789	7,803	..	..
	<u>26,479</u>	<u>9,358</u>	<u>..</u>	<u>..</u>

Interest is recognised in the Statement of Comprehensive Income when earned.

\* Relates to interest recognised on Lease receivables by Dalrymple Bay Coal Terminal Holdings (DBCTH) Pty Ltd (refer note 23).

\*\* Relates to interest recognised on financial assets acquired from Brisbane Port Holdings Pty Ltd (BPH) on sale of the Port of Brisbane (refer note 27).

**8 Fair value (loss)/gain on shares**

Bonus shares provided	(27,226)	..	..	..
Fair value gain on investments	16,430	688,537	..	..
	<u>(10,796)</u>	<u>688,537</u>	<u>..</u>	<u>..</u>

Relates to the market movement of shares held in QR National Limited recorded at fair value (recognised at the closing listed market price at 30 June). During the year, 8,054,986 Loyalty Bonus shares were provided to Retail Investors in accordance with the requirements of the State under the Retail Offer document.

**9 Gain on acquisition of subsidiary**

Gain on acquisition of subsidiary	3,009	..	..	..
	<u>3,009</u>	<u>..</u>	<u>..</u>	<u>..</u>

On 1 July 2011, QTH obtained the remaining 50% of shares in DBCTH. The gain relates to the fair value of assets acquired at no consideration.

**10 Amortisation of unearned revenue**

Amortisation of unearned revenue	299	..	..	..
	<u>299</u>	<u>..</u>	<u>..</u>	<u>..</u>

Amortisation of the upfront payment on the leasing arrangements for Dalrymple Bay Coal Terminal, entered into between DBCTH and the original lessee. The upfront payment was deferred and is amortised over the life of the lease.

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>11 Employee expenses</b>				
<i>Employee benefits</i>				
Salaries and wages	78,048	67,185	78,048	67,185
Employer superannuation contributions	9,211	8,910	9,211	8,910
Long service leave levy	1,675	1,595	1,675	1,595
Parental leave expense	351	528	351	528
Annual leave levy	8,527	8,554	8,527	8,554
Other employee benefits	167	635	167	635
<i>Employee related expenses *</i>				
Workers' compensation premium	273	248	273	248
Payroll tax	4,706	4,067	4,706	4,067
Other employee related expenses	978	913	978	913
	<u>103,936</u>	<u>92,635</u>	<u>103,936</u>	<u>92,635</u>

\* Employment expenses not included in employees total remuneration package

The number of employees including full-time employees and part-time employees measured on a full-time equivalent basis is:

	1,087	906	1,087	906
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Notes To and Forming Part of the Financial Statements 2011-12

## 11 Employee expenses (continued)

### Key executive management personnel and remuneration

#### (a) Key Executive Management Personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the agency during 2011-12. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointed to position (End date of position)
Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole-of-Government financial management	CEO1; Governor in Council under s47 of the <i>Public Service Act 1996</i>	10-Aug-98 (23-Mar-12)
Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole-of-Government financial management	CEOB*; Governor in Council under s92 of the <i>Public Service Act 2008</i>	26-Mar-12
Associate Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole-of-Government financial management	CE05.1; Public Service Commission Chief Executive and Under Treasurer under s122 of the <i>Public Service Act 2008</i> and Directive 16/08	29-Mar-11 (2-Apr-2012)
Deputy Under Treasurer	Responsible for executive leadership, strategic direction of the department and whole-of-Government financial management	SES4; Public Service Commission Chief Executive under s115 of the <i>Public Service Act 2008</i> **	7-Apr-11
Executive Director ***	Responsible for the Office of Economic and Statistical Research	SES3; Public Service Commission Chief Executive under s115 of the <i>Public Service Act 2008</i>	22-Sep-10
Executive Director	Responsible for the Office of Government Owned Corporations	SES3; Governor in Council under s60(1) of the <i>Public Service Act 1996</i>	22-Mar-07 (6-Jul-2012)
Executive Director	Responsible for the Office of State Revenue	SES3; Governor in Council under s79(1) of the <i>Public Service Act 1996</i>	1-Mar-07
Executive Director	Responsible for Corporate Services for Queensland Treasury and Trade	SES2; Governor in Council under s60(1) of the <i>Public Service Act 1996</i>	24-Jun-02
Managing Director	Responsible for Export development to enhance the Queensland economy	SES3; Governor in Council under s60(1) of the <i>Public Service Act 1996</i>	18-Feb-08 ****

\* The Under Treasurer has been appointed to a CEO classification under new CEO remuneration arrangements which are awaiting the Premier's approval

\*\* The Deputy Under Treasurer was appointed to a new role on 27 June 2012, classification CE05.5 under the authority of the Public Service Commission Chief Executive and Under Treasurer under s122 of the *Public Service Act 2008* and Directive 16/08

\*\*\* The Executive Director, Office of Economic and Statistical Research also holds the title of Assistant Under Treasurer and Government Statistician

\*\*\*\* The Managing Director commenced with Queensland Treasury and Trade on 3 April 2012, the effective date of the machinery of Government change of Trade and Investment Queensland to Queensland Treasury and Trade

Notes To and Forming Part of the Financial Statements 2011-12

## 11 Employee expenses (continued)

### (b) Remuneration

Remuneration for the agency's key executive management personnel is approved by the Premier for chief executive officers and equivalent levels and the Public Service Commission Chief Executive for SES and equivalent level officers, with the support of the Premier and in accordance with the *Public Service Act 2008*. The remuneration and other terms of employment for the key executive management personnel are specified in contracts of employment, directives and Government policy. The contracts provide the superannuable salary and benefits including superannuation.

For the 2011-12 year, remuneration of key executive management personnel increased by 2.5% in accordance with the Queensland Government Wages Policy.

Remuneration packages for key executive management personnel disclosed in the table on the following page comprise the following components:

- Short term employee benefits including:
  - Base – consisting of base salary (equates to 52 weeks salary and leave loading)
  - Vehicle allowance (cash) and movement in annual leave includes a car allowance (where no vehicle or one of a lesser value is taken) and the movement in annual leave entitlements during the financial year
  - Non-monetary benefits – consisting of the option of the private use component of a Government owned motor vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits representing the movement of long service leave entitlements.
- Post employment benefits include superannuation contributions.
- Termination provisions are specified within individual contracts of employment. Contracts of employment provide for notice periods, service and separation payments and a repayment clause. No reason needs to be given for a contract termination.

(Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.)

Notes To and Forming Part of the Financial Statements 2011-12

11 Employee expenses (continued)

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 2011 - 30 June 2012

Position	Short Term Employee Benefits			Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base	Vehicle Allowance (cash) & Movement in Annual Leave	Non-Monetary Benefits				
Under Treasurer	\$'000	8	\$'000	\$'000	\$'000	\$'000	\$'000
Under Treasurer*	359	8	5	13	46	706	1,137
Associate Under Treasurer	132	10	8	3	17	..	170
Deputy Under Treasurer	198	1	14	6	25	..	244
Executive Director	197	5	23	7	24	..	256
Executive Director	180	8	24	7	23	..	242
Executive Director	180	(2)	25	(12)	23	..	214
Executive Director	180	17	21	6	23	..	247
Executive Director	152	(1)	21	5	19	..	196
Managing Director	30	3	4	1	4	..	42
<b>Total Remuneration</b>	<b>1,608</b>	<b>49</b>	<b>145</b>	<b>36</b>	<b>204</b>	<b>706</b>	<b>2,748</b>

\* For the financial year 2011-12 the Under Treasurer is eligible for an "at risk incentive" payment of 15% of total remuneration value, pro-rated for the period 26 March to 30 June 2012. As at the date of signing the Management Certificate this payment has not been assessed and finalised.

1 July 2010 - 30 June 2011

Position	Short Term Employee Benefits			Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base	Vehicle Allowance (cash) & Movement in Annual Leave	Non-Monetary Benefits				
Under Treasurer	\$'000	4	\$'000	\$'000	\$'000	\$'000	\$'000
Under Treasurer	478	4	7	16	61	..	566
Associate Under Treasurer	256	12	22	8	32	..	330
Deputy Under Treasurer	192	3	21	7	24	..	247
Executive Director	175	8	23	6	22	..	234
Executive Director	175	8	25	5	22	..	235
Executive Director	175	15	21	(19)	22	..	214
Executive Director	148	8	21	(3)	19	..	193
<b>Total Remuneration</b>	<b>1,599</b>	<b>58</b>	<b>140</b>	<b>20</b>	<b>202</b>	<b>..</b>	<b>2,019</b>

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>12 Supplies and services</b>				
Consultants and contractors	15,002	130,714	15,002	130,714
Supplies and consumables	3,253	4,108	3,253	4,108
Repairs and maintenance	5,009	4,562	5,009	4,562
Travel	813	556	813	556
Accommodation	13,124	13,154	13,124	13,154
Computer related charges	1,371	1,252	1,371	1,252
Brokerage and underwriting fees	..	16,526	..	16,526
Other	7,663	11,246	7,663	11,246
	<u>46,235</u>	<u>182,118</u>	<u>46,235</u>	<u>182,118</u>
<b>13 Depreciation and amortisation</b>				
Depreciation and amortisation incurred in respect of:				
Leasehold improvements	1,375	1,424	1,375	1,424
Plant and equipment	1,724	1,689	1,724	1,689
Intangibles	7,594	7,394	7,594	7,394
	<u>10,693</u>	<u>10,507</u>	<u>10,693</u>	<u>10,507</u>
<b>14 Grants and contributions</b>				
Contributions	..	249	..	249
Other	99	145	99	145
	<u>99</u>	<u>394</u>	<u>99</u>	<u>394</u>
<b>15 Borrowing costs</b>				
Interest on borrowings - QTC	136,608	69,900	..	..
	<u>136,608</u>	<u>69,900</u>	<u>..</u>	<u>..</u>
Relates to interest paid on loans from QTC for the purchase of QRN Shares (\$115.8 million), BPH receivables (\$11.2 million), DBCTH leases (\$9.6 million).				
<b>16 Finance costs</b>				
Management fee - QTC	2,011	1,157	..	..
Management fee - QIC Growth Fund No.2	16	..	..	..
	<u>2,027</u>	<u>1,157</u>	<u>..</u>	<u>..</u>
The consolidated QTH entity incurs finance costs relating to investments in the QTC Cash Fund and QIC Growth Fund No. 2.				
<b>17 Operating leases</b>				
Rentals	335	..	..	..
	<u>335</u>	<u>..</u>	<u>..</u>	<u>..</u>
Rentals are recognised as an expense in the financial year in which they are incurred.				
<b>18 Share of profit of equity accounted joint venture</b>				
DBCTH - 50% of current year profits	..	594	..	..
	<u>..</u>	<u>594</u>	<u>..</u>	<u>..</u>
QTH obtained control of DBCTH on 1 July 2011 when all remaining shares were transferred to QTH. From that date DBCTH is fully consolidated into these results.				

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>19 Other expenses</b>				
Audit and professional fees – Auditor-General *	1,539	1,467	1,105	1,291
Impairment losses on trade receivables	9	32	9	32
Operating lease rentals	467	477	467	477
Advertising and promotions	2,177	14,791	2,177	14,791
Minor assets < \$5,000	972	638	972	638
Other	2,485	1,270	2,207	1,188
	<u>7,649</u>	<u>18,675</u>	<u>6,937</u>	<u>18,417</u>

\* Total Queensland Treasury and Trade external audit fees relating to the 2011-12 financial year are estimated to be \$890,000 (2011: \$1,075,270). There are no non-audit services included in this amount.

**20 Income tax expense**

Current tax expense/(benefit)	189	(20,916)	..	..
Deferred tax*	(41,381)	208,893	..	..
Income tax (benefit)/expense	<u>(41,192)</u>	<u>187,977</u>	<u>..</u>	<u>..</u>

Deferred tax comprises:

Decrease/(increase) in deferred tax asset	(41,019)	(9)	..	..
(Decrease)/increase in deferred tax liability	(362)	208,902	..	..
	<u>(41,381)</u>	<u>208,893</u>	<u>..</u>	<u>..</u>

**Numerical reconciliation of income tax expense to prima facie tax payable:**

(Loss)/profit before income tax expense	(59,553)	627,184	..	..
Less: (profit)/loss of non taxable entities	(294)	(594)	..	..
Profit from continuing operations before income tax expense	<u>(59,847)</u>	<u>626,590</u>	<u>..</u>	<u>..</u>
Tax at the Australian tax rate of 30%	(17,954)	187,977	..	..
Prior year under provision - BPH	162	..	..	..
Non-assessable dividend - BPH	(23,400)	..	..	..
Income tax (benefit)/ expense	<u>(41,192)</u>	<u>187,977</u>	<u>..</u>	<u>..</u>

\*refer to notes 30 and 34

**21 Cash and cash equivalents**

Cash at bank	20,477	119,997	20,462	10,100
QTC Cash Fund	44,365	26,744	..	..
Imprest accounts	23	11	21	11
	<u>64,865</u>	<u>146,752</u>	<u>20,483</u>	<u>10,111</u>

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>22 Receivables</b>				
<i>Current</i>				
Trade debtors	2,597	21,883	2,588	21,801
Less allowance for impairment	(9)	(24)	(9)	(24)
	<u>2,588</u>	<u>21,859</u>	<u>2,579</u>	<u>21,777</u>
GST input tax credits receivable	586	..	586	..
GST payable	(78)	..	(78)	..
Net GST receivable	<u>508</u>	<u>..</u>	<u>508</u>	<u>..</u>
Interdepartmental receivable	3,330	..	3,330	..
Annual leave reimbursements	1,610	1,477	1,610	1,477
Other debtors	11	3	11	3
	<u>4,951</u>	<u>1,480</u>	<u>4,951</u>	<u>1,480</u>
	<u>8,047</u>	<u>23,339</u>	<u>8,038</u>	<u>23,257</u>
<b>Movements in the provision for impairment</b>				
Balance at 1 July	24	..	24	..
Opening balance of provision for impairment - Trade	43	..	43	..
Amounts written off during the year	(4)	..	(4)	..
Amounts recovered during the year	(63)	..	(63)	..
Increase/(decrease) recognised in Statement of Comprehensive Income	9	24	9	24
Balance at 30 June	<u>9</u>	<u>24</u>	<u>9</u>	<u>24</u>
<b>23 Lease receivables</b>				
<i>Current</i>				
Lease receivable	1,022	..	..	..
Novation receivable	18,416	..	..	..
	<u>19,438</u>	<u>..</u>	<u>..</u>	<u>..</u>
<i>Non-current</i>				
Lease receivable	113,018	..	..	..
Novation receivable	54,456	..	..	..
	<u>167,474</u>	<u>..</u>	<u>..</u>	<u>..</u>
<b>Total</b>				
Lease receivable	114,040	..	..	..
Novation receivable	72,872	..	..	..
	<u>186,912</u>	<u>..</u>	<u>..</u>	<u>..</u>

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>23 Lease receivables (continued)</b>				
<i>Finance leases</i>				
Minimum lease payments				
- Not later than one year	6,471	..	..	..
- Later than one year and not later than five years	25,882	..	..	..
- Later than five years	221,344	..	..	..
Minimum lease commitments receivable at balance date *	253,697	..	..	..
Less: future finance charges	(139,657)	..	..	..
Total lease receivable	114,040	..	..	..
Present value of minimum lease payments				
- Not later than one year	1,022	..	..	..
- Later than one year and not later than five years	4,578	..	..	..
- Later than five years	108,440	..	..	..
	114,040	..	..	..

\* These lease commitments receivable represent payments due from the primary lessee under the Plant lease, On-shore sub-lease, Off-shore sub-sub-lease and Road sub-sub-lease. The terms of the Plant lease and On-shore sub-lease are 50 years each, with options to renew for a further 49 years, while the Off-shore sub-sub-lease and road sub-sub-lease terms are 99 years each. There are no guaranteed residuals for any of the leases.

**Novation receivable**

Minimum lease payments				
- Not later than one year	21,578	..	..	..
- Later than one year and not later than five years	39,946	..	..	..
- Later than five years	23,644	..	..	..
Minimum novation payments receivable at balance date *	85,168	..	..	..
Less: future finance charges	(12,295)	..	..	..
Total lease receivable	72,873	..	..	..
Present value of minimum lease payments				
- Not later than one year	18,416	..	..	..
- Later than one year and not later than five years	32,511	..	..	..
- Later than five years	21,946	..	..	..
	72,873	..	..	..

\* The novation receivable represents payments owing to North Queensland Bulk Ports Corporation Limited from DBCT Management Pty Ltd which has been novated to DBCT Holdings Pty Ltd. The novation payments to be made are set out in the Framework Agreement, with the final payment to be made on 30 June 2020.

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>24 Prepaid tax</b>				
Tax prepaid- BPH	..	1,613	..	..
	..	1,613	..	..
<b>25 Other assets</b>				
<i>Current</i>				
Prepayments	2,855	2,994	2,201	2,621
Other accrued revenue	3,874	1,104	3,874	1,104
Escrow asset	2,231	..	2,231	..
Non-current assets held for sale	12	11	12	11
	8,972	4,109	8,318	3,736
<i>Non-current</i>				
Security deposits	572	..	572	..
	572	..	572	..
<b>26 Other financial assets</b>				
Shares - QRN *	2,793,127	2,803,922	..	..
QIC Growth fund No.2 **	9,852	..	..	..
Shares held in unlisted company at cost ***	4,601	1,583	4,601	1,583
	2,807,580	2,805,505	4,601	1,583

\* QTH holds 821,507,863 (2011:829,562,849) shares in QR National Limited (QRN), purchased at the institutional price of \$2.55 per share. The shares are market valued based on the closing share price. The investment is subject to an escrow agreement which expires in 2012 following the release of QRN's 2012 financial result to the Australian Stock Exchange. During the year, 8,054,986 Loyalty Bonus Shares were provided to Retail Investors based on the requirements of the State under the Retail Offer document.

QTH holds approximately 34% of shares in QRN, however QTH does not have board representation or exert significant influence over QRN and therefore has not equity accounted its investment in QRN.

\*\* QTH, through its subsidiary DBCTH, holds an investment in the QIC Growth Fund No.2. This is a unitised trust that is unit priced daily by QIC Limited. The consolidated entity holds 12,989,691.53 units at a closing price at 30 June 2012 of \$0.7584.

\*\*\* Adjustment to comparatives

Category	Opening Queensland Treasury 2011 \$'000	Adjustment \$'000	Restated Queensland Treasury 2011 \$'000	Notes
<b>Non-current assets</b>				
Shares held in unlisted company at cost	..	1,583	1,583	1
<b>Equity</b>				
Accumulated surplus prior year adjustment	35,242	1,583	36,825	2

1. Represents shares issued in National E-Conveyancing Development Limited on 5 May 2011. A grant of \$1.666 million was paid in 2010 and the unused funds of \$1.583 million were subsequently converted to shares.
2. Represents the offsetting adjustment to Equity – accumulated surplus.

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>27 Loans and receivables</b>				
<i>Non-current</i>				
Loans and receivables	191,853	179,564	..	..
	<u>191,853</u>	<u>179,564</u>	<u>..</u>	<u>..</u>

As part of the sale of the Port of Brisbane by the State, QTH purchased the rights of BPH (formerly Port of Brisbane Corporation Limited) to receive all moneys owing (whether or not due and payable) under agreements with the Port Manager. Under these arrangements, the risks and benefits including the credit risk have been transferred to QTH.

QTC provided loans to QTH in 2011 to fund the purchase of the receivables to the value of \$171 million. The State of Queensland has provided a guarantee to QTH for any shortfall of moneys payable under the loan arrangements (refer to note 35).

**28 Intangibles**

*Non-current*

Internally generated software

– at cost	82,252	69,606	82,252	69,606
– accumulated amortisation	(46,516)	(29,830)	(46,516)	(29,830)
– accumulated impairment loss	(3,936)	(3,380)	(3,936)	(3,380)
	<u>31,800</u>	<u>36,396</u>	<u>31,800</u>	<u>36,396</u>

Other software/licences

– at cost	11,171	11,160	11,171	11,160
– accumulated amortisation	(11,016)	(11,079)	(11,016)	(11,079)
	<u>155</u>	<u>81</u>	<u>155</u>	<u>81</u>

Work in progress

– at cost	38	..	38	..
	<u>38</u>	<u>..</u>	<u>38</u>	<u>..</u>

Total intangibles

– net book value	<u>31,993</u>	<u>36,477</u>	<u>31,993</u>	<u>36,477</u>
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Notes To and Forming Part of the Financial Statements 2011-12

28 Intangibles (continued)

Reconciliation	Internally generated software		Other software /licences		Software works in progress		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Carrying amount at 1 July	36,396	42,447	81	109	..	1,200	36,477	43,756
Acquisitions	..	116	111	..	..	..	111	116
Acquisitions through restructuring - SPER	3,516	..	..	..	44	..	3,560	..
Impairment losses recognised in operating surplus/deficit	(556)	..	..	..	(6)	..	(562)	..
Assets transferred between asset classes	..	1,200	..	..	..	(1,200)	..	..
Amortisation*	(7,556)	(7,367)	(37)	(28)	..	..	(7,593)	(7,395)
Carrying amount at 30 June	31,800	36,396	155	81	38	..	31,993	36,477

\* Amortisation of intangibles is included in the line item 'Depreciation and amortisation' in the Statement of Comprehensive Income.

The Tridata system which is fully amortised and still in use had an original cost of \$5.45 million.

All intangible assets of the department have finite useful lives and are amortised on a straight line basis (note 2(o)). The department has no significant unrecognised intangibles.

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

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>29 Property, plant and equipment</b>				
<i>Non-current</i>				
Plant and equipment				
– at cost	35,806	33,432	35,806	33,432
– accumulated depreciation	(27,022)	(23,731)	(27,022)	(23,731)
	<u>8,784</u>	<u>9,701</u>	<u>8,784</u>	<u>9,701</u>
Capital works in progress				
– at cost	<u>206</u>	<u>544</u>	<u>206</u>	<u>544</u>
Total property, plant and equipment				
– net book value	<u>8,990</u>	<u>10,245</u>	<u>8,990</u>	<u>10,245</u>

Notes To and Forming Part of the Financial Statements 2011-12

29 Property plant and equipment (continued)

	Plant and equipment		Network infrastructure		Capital works in progress		Consolidated Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011* \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Reconciliation								
Carrying amount at 1 July	9,701	11,797	..	..	544	..	10,245	11,797
Acquisitions	1,160	1,029	..	..	351	544	1,511	1,573
Acquisitions via equity transfer	..	..	..	211,447	..	..	..	211,447
Acquisitions through restructuring - SPER	92	..	..	..	..	..	92	..
Acquisitions through restructuring - TIQ	312	..	..	..	30	..	342	..
Disposals	(101)	(12)	..	(211,447)	..	..	(101)	(211,459)
Assets transferred between classes	719	..	..	..	(719)	..	..	..
Depreciation	(3,099)	(3,113)	..	..	..	..	(3,099)	(3,113)
Carrying amount at 30 June	8,784	9,701	..	..	206	544	8,990	10,245

Queensland Treasury and Trade currently holds plant and equipment with a written down value of zero that had an original cost of \$14.06 million.

Queensland Treasury and Trade has no temporarily idle plant and equipment and no plant and equipment recorded at cost with materially different fair values.

\* On 30 June 2010, the Queensland Government transferred certain assets from QR Network Pty Ltd (QR Network) to QTH which were subsequently leased back to QR Network under a 99 year lease arrangement. The transfer consisted of QR Network's right, title and interest in, and obligations and liabilities pursuant to, the Central Queensland Coal Network Infrastructure lease. These assets were transferred at book value under the direction of the Treasurer of Queensland.

The lessee must manage, operate, repair and maintain the infrastructure and is responsible for indemnifying the lessor for any loss incurred to the extent of the law. At the completion of the lease term the assets are required to be surrendered to the lessor with the exclusion of infrastructure located on the Rail Corridor Land at the commencement of the lease. The lessee has the right to possess and use the infrastructure during the lease term and the right on expiry to either remove the infrastructure or to have paid to it the fair market value.

Consideration for the lease is based on a notional rental of \$1 per annum but only if demanded in writing. It is currently not expected that QTH would call on this payment and therefore no recognition of the lease receivable amount is included in these financial statements.

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>30 Deferred tax asset</b>				
The balance comprises temporary differences attributable to:				
Carried forward tax loss	20,955	..	..	..
Prior year adjustment	(556)	..	..	..
Current year tax benefit	18,178	20,955	..	..
Reduction in subsidiary carrying value	23,400	..	..	..
Accruals	6	9	..	..
	<u>61,983</u>	<u>20,964</u>	<u>..</u>	<u>..</u>
<b>31 Payables</b>				
<i>Current</i>				
GST input tax credits receivable	..	(1,622)	..	(1,622)
GST payable	..	8,817	..	8,817
Net GST payable	<u>..</u>	<u>7,195</u>	<u>..</u>	<u>7,195</u>
Trade creditors	11,750	21,503	11,675	3,914
Interdepartmental payable	..	1,986	..	1,986
Other	6,100	4,700	5,859	4,700
	<u>17,850</u>	<u>35,384</u>	<u>17,534</u>	<u>17,795</u>
<b>32 Accrued employee benefits</b>				
Accrued salaries and wages	567	192	567	192
Annual leave levy payable	2,495	2,019	2,495	2,019
Paid Parental Leave	3	..	3	..
Other	42	30	42	30
	<u>3,107</u>	<u>2,241</u>	<u>3,107</u>	<u>2,241</u>
<b>33 Unearned revenue</b>				
<i>Current</i>				
Unearned revenue	1,186	3,841	1,186	3,841
Sub-lease on land *	365	..	..	..
	<u>1,551</u>	<u>3,841</u>	<u>1,186</u>	<u>3,841</u>
<i>Non-current</i>				
Unearned revenue	..	55	..	55
Sub-lease on land *	3,938	..	..	..
	<u>3,938</u>	<u>55</u>	<u>..</u>	<u>55</u>

\* QTH, through DBCTH, has deferred income resulting from an upfront payment on a long-term lease arrangement.

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>34 Deferred tax liabilities</b>				
Attributable to temporary differences				
Receivables	5,217	2,341	..	..
Financial assets at fair value	203,322	206,561	..	..
	<u>208,539</u>	<u>208,902</u>	<u>..</u>	<u>..</u>
<b>35 Interest bearing liabilities</b>				
<b>Current loans with QTC</b>				
Lease loan *	1,022	..	..	..
Novation loan **	18,416	..	..	..
	<u>19,438</u>	<u>..</u>	<u>..</u>	<u>..</u>
<b>Interest bearing liabilities</b>				
<b>Non-current loans with QTC</b>				
Lease loan *	113,018	..	..	..
Novation loan **	54,456	..	..	..
Loan funding purchase of shares in QRN ***	2,236,722	2,180,210	..	..
Loan funding purchase of BPH receivable ****	186,834	177,960	..	..
	<u>2,591,030</u>	<u>2,358,170</u>	<u>..</u>	<u>..</u>

\* The long-term lease loan from QTC, a related party, is for a period of 50 years, unless terminated earlier. Interest on the loan is fixed at 4.8% per annum, calculated on the daily balance and payable in arrears on each date rent is payable. A first ranking registered fixed and floating charge has been granted by DBCTH in favour of QTC over all the assets and undertakings of DBCTH.

\*\* The long-term Novation Loan from QTC is for a period of 20 years, unless terminated earlier. Interest on the loan is fixed at 4.8% per annum, calculated on the daily balance and payable in arrears on each date rent is payable. A first ranking registered fixed and floating charge has been granted by DBCTH in favour of QTC over all the assets and undertakings of DBCTH.

\*\*\* QTH holds 821,507,863 (2011:829,562,849) shares in QR National Limited, purchased at the institutional price of \$2.55 per share, which was funded by loans from QTC (refer note 26).

\*\*\*\* QTH has purchased the rights to future cashflows from BPH, which was funded by loans from QTC (refer note 27).

The QTC loans are recorded at amortised cost value being the carrying value of the balance outstanding at balance date. QTC prices the loans with reference to notional financial instruments and manages interest rate risk arising in connection with the facility. For floating rate instruments, interest is calculated daily based on the market value of the loan at a rate determined by QTC as being the cost of funds with relation to the relevant portfolio of notional financial instruments. Interest and fees on the facility are charged quarterly and capitalised. Under Deeds of Guarantee, dated 7 December 2010, all repayments under the loan facilities with QTC are guaranteed by the State of Queensland. In the event QTH is unable to pay any amount pursuant to the loans when due, the State can be called upon to meet any shortfall.

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>36 Reconciliation of operating surplus to net cash from operating activities</b>				
Operating surplus/(deficit)	(17,557)	439,861	804	654
<b>Add/(subtract) items classified as investing/financing activities:</b>				
Impairment of assets	508	..	508	..
Change in fair value of financial asset	10,669	(688,537)	..	..
Interest and fees capitalised on loans	(127,002)	(69,901)	..	..
Fair value of investment in subsidiary	(3,009)	..	..	..
Decrease in amortisation of unearned income	(312)	..	..	..
Net fair value movement on investment - QIC Growth Fund	790	..	..	..
Distribution received on investment - QIC Growth Fund	(794)	..	..	..
<b>Non-cash items:</b>				
Depreciation/amortisation expense	10,693	10,508	10,693	10,508
Disposal of property, plant and equipment	93	11	93	11
Gain on sale of property, plant, equipment and investments	..	(8)	..	(8)
<b>Change in assets and liabilities:</b>				
(Increase)/decrease in appropriation receivable	..	7,754	..	7,754
(Increase)/decrease in GST input tax credits receivable	1,036	1,370	1,036	1,370
(Increase)/decrease in interest receivable	..	2	..	2
(Increase)/decrease in interdepartmental receivable	(3,330)	..	(3,330)	..
(Increase)/decrease in trade debtors	6,977	(19,951)	19,198	(12,078)
(Increase)/decrease in annual leave reimbursements	(133)	..	(133)	..
(Increase)/decrease in other assets	(2,351)	12,740	(2,351)	12,740
(Increase)/decrease in other debtors	8	..	8	..
Increase/(decrease) in interdepartmental payable	(1,986)	..	(1,986)	..
(Increase)/decrease in prepayments	(32)	424	..	367
Increase/(decrease) in trade creditors	(9,691)	1,364	7,761	1,213
Increase/(decrease) in accrued employee benefits	866	(69)	866	(69)
Increase/(decrease) in GST payable	(8,739)	7,195	(8,739)	7,195
Increase/(decrease) in other payables	66,544	74,696	1,159	3,661
Increase/(decrease) in deferred tax liability	(363)	208,902	..	..
Increase/(decrease) in prepaid tax	1,613	..	..	..
Increase/(decrease) in deferred tax asset	(41,019)	(20,964)	..	..
Increase/(decrease) in unearned revenue	(2,710)	..	(2,710)	..
Increase/(decrease) in accrued expenses	..	(12,302)	..	(12,302)
Share of profit of equity accounted joint venture	..	(594)	..	..
<b>Net cash from operating activities</b>	<b>(119,231)</b>	<b>(47,499)</b>	<b>22,877</b>	<b>21,018</b>

**37 Non-cash financing and investing activities**

Assets and liabilities received by or transferred to the department as a result of machinery of Government changes are set out in note 3.

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000

### 38 Commitments for expenditure

#### (a) Non-cancellable operating lease commitments\*

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

Not later than one year	3,082	869	3,082	869
Later than one year and not later than five years	6,281	901	6,281	901
Later than five years	1,929	..	1,929	..
Total commitments	<u>11,292</u>	<u>1,770</u>	<u>11,292</u>	<u>1,770</u>
Input tax credits anticipated	<u>728</u>	<u>161</u>	<u>728</u>	<u>161</u>

\* for share of QTH consolidated commitments refer to note 41.

Non-cancellable operating lease commitments consist of Queensland Treasury and Trade's (QTT's) accommodation operating leases in privately owned buildings. In relation to QTT's accommodation operating leases in government owned buildings, it has occupancy agreements with the Department of Housing and Public Works (DHPW). As these agreements buildings, it has occupancy agreements with the Department of Housing and Public Works (DHPW). As these agreements are open ended, they do not meet the definition of an operating lease in AASB 117 *Leases*. The amounts payable extend over an indefinite period of time and therefore cannot be quantified in the commitments note to the financial statements.

Operating leases are entered into as a means of acquiring access to office accommodation. Payments are generally fixed with agreements containing inflation escalation clauses from which contingent rentals are determined. Purchase options do not exist in relation to operating leases however renewal options do. Operating leases may contain restrictions on financing or other leasing activities.

#### (b) Motor vehicle operating lease commitments

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

Not later than one year	388	361	388	361
Later than one year and not later than five years	145	281	145	281
Later than five years	..	..	..	..
Total commitments	<u>533</u>	<u>642</u>	<u>533</u>	<u>642</u>
Input tax credits anticipated	<u>48</u>	<u>59</u>	<u>48</u>	<u>59</u>

Motor vehicle operating lease commitments consist of QTT's motor vehicle operating leases with QFleet and Trade's overseas motor vehicle operating leases.

QFleet leases a wide range of vehicles to Queensland Government departments and other organisations in receipt of government funding. Vehicles are usually provided on a fully maintained operating lease basis, incorporating elements such as registration, insurance and maintenance. Leasing rates are based on vehicle type, options, area, nature of operation, and time and distance projections.

Notes To and Forming Part of the Financial Statements 2011-12

	Consolidated Entity		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>38 Commitments for expenditure (continued)</b>				
<b>(c) Operating expenditure commitments</b>				
Material operating expenditure commitments inclusive of GST contracted for but not recognised in the financial statements are payable as follows:				
Not later than one year	12,587	3,252	12,587	3,252
Later than one year and not later than five years	6,089	1,373	6,089	1,373
Later than five years	..	..	..	..
Total commitments	<u>18,676</u>	<u>4,625</u>	<u>18,676</u>	<u>4,625</u>
Input tax credits anticipated	<u>1,690</u>	<u>421</u>	<u>1,690</u>	<u>421</u>

**39 Contingencies**

**Environmental obligations**

The QTH consolidated entity has exposure to claims made against it through its subsidiaries and associated companies in relation to any pre-existing contamination of land assets. At balance date, there have been no claims made against the consolidated entity.

**Land tax**

Under the Port of Brisbane Share Sales and Purchase Agreement, the State has agreed to pay to the Port lessee, any portion of the Port Lessee's land tax liability in years the land tax assessment for the leased area exceeds the estimated land tax assessment. The obligations are subject to certain conditions, including the lessee pursuing any objection available to it in relation to an assessment, and are limited to assessment years up to and including 30 June 2025.

**Other persons**

BPH has been notified of a potential public liability settlement. However, it is expected that any exposure would be limited to the excess under the existing insurance policy.

Notes To and Forming Part of the Financial Statements 2011-12

#### 40 Controlled entities

Queensland Treasury Holdings Pty Ltd (QTH) is controlled by the department and its revenues, expenses, assets, liabilities and equity have been included within these financial statements. The Under Treasurer, as Trustee for the Treasurer of Queensland, holds a 60% beneficial interest in QTH, which comprises ownership of "A" class capital. The remaining 40% interest is held by the Queensland Treasury Corporation (QTC) for and on behalf of the Under Treasurer as the corporation sole of QTC. QTH acts as a corporate vehicle through which the Queensland Government invests in assets of strategic importance to the State. QTH is audited by the Auditor-General of Queensland.

Name of Entity	Country of Incorporation	Shares Held		Carrying Value		Equity Holding	
		No.	No.	\$	\$	2012	2011
Queensland Treasury Holdings Pty Ltd (QTH)							
<b>Controlled Entities of QTH</b>							
Queensland Lottery Corporation Pty Ltd (QLC)	Australia	1		1		100%	100%
Queensland Airport Holdings (Cairns) Pty Ltd	Australia	2		1		100%	100%
Queensland Airport Holdings (Mackay) Pty Ltd	Australia	2		1		100%	100%
Network Infrastructure Company Pty Ltd *	Australia	2		2		100%	100%
Brisbane Port Holdings Pty Ltd (BPH)**	Australia	2,314,152		16,414,358		100%	100%
DBCT Holdings Pty Ltd***	Australia	2		6,017,190		100%	50%

\* Network Infrastructure Company Pty Ltd was registered on 15 June 2010 and has not traded.

\*\* All shares in Brisbane Port Holdings Pty Ltd were transferred to QTH on 5 April 2011.

\*\*\* The balance of shares in DBCT Holdings Pty Ltd was transferred to QTH on 1 July 2011.

#### Controlled Entity of Parent

Queensland Trade and Investment Office Pty Ltd is used solely to facilitate the registration of the department's Trade and International Operations overseas offices. All issued shares are held by the Shareholding Minister on behalf of the Queensland Government. The Queensland Auditor-General audits the company.

#### 41 Investment in jointly controlled entity

QTH holds an investment in Dalrymple Bay Coal Terminal Holdings (DBCTH) Pty Ltd which comprises ownership of ordinary share capital. The balance date of the jointly controlled entity is 30 June. Details of this investment are set out below:

Name of company	Principal activity	Ownership interest		Carrying amount		Dividend received/receivable	
		2012	2011	2012	2011	2012	2011
Unlisted				\$'000	\$'000	\$'000	\$'000
DBCT Holdings Pty Ltd	Coal terminal	100%	50%	..	3,009	..	..

Notes To and Forming Part of the Financial Statements 2011-12

**41 Investment in jointly controlled entity (continued)**

**Summarised financial information of jointly controlled entity:**

	2012	2011
	\$'000	\$'000
Assets	..	218,388
Liabilities	..	212,371
Operating surplus/(deficit)	..	1,187

Share of the jointly controlled entity result and retained surplus for the period ended 30 June, including movements in the carrying amount of the investment, consists of:

	2012	2011
	\$'000	\$'000
<b>Share of post acquisition retained profits</b>		
Share retained profits at beginning of the year	3,009	2,145
Share of net result	..	594
Derecognition of unrealised gains on equity accounted investment on transfer to a subsidiary	(3,009)	..
	<hr/>	<hr/>
Share of retained earnings at end of the financial year	..	3,009

From 1 July 2011, all shares have been transferred to QTH. Accordingly, from this date DBCTH has been fully consolidated into these accounts.

**Share of jointly controlled entity commitments**

As at 30 June 2012, the QTH consolidated entity's share of operating lease expenditure commitments was \$16.170 million (2011: \$8.161 million). QTH obtained the remaining 50% shares in DBCTH on 1 July 2011 and control of the entity. As such DBCTH is fully consolidated into the current year's results.

**Lease expenditure commitments**

	2012	2011
	\$'000	\$'000
<i>Operating leases:</i>		
Minimum lease payments		
- Not later than one year	363	180
- Later than one year and not later than five years	1,454	717
- Later than five years	14,353	7,264
Aggregate lease expenditure contracted for at balance date	<hr/>	<hr/>
	16,170	8,161

These commitments represent payments due for lease and sub-lease arrangements. The payments have not been discounted and exclude any future escalations for CPI increases or projected outgoings which are provided for under the terms of each lease.

Notes To and Forming Part of the Financial Statements 2011-12

## 42 Investments in entities which are not controlled entities or associated companies

Name of entity	Principal activities	Percentage ownership		Carrying amount	
		2012 %	2011 %	2012 \$'000	2011 \$'000
City North Infrastructure Pty Ltd*	Manages the procurement of the Airport Link and part of the Northern Busway	50%	50%	..	..
Queensland Motorways Limited**	Owns and operates toll roads and bridge infrastructure in south-east Queensland	..	..	..	..
National E-Conveyancing Development Limited	Develop then operate the national e-conveyancing system	10.18%	9.92%	4,601	1,583

\*On 30 June 2011, a share restructure and issue of new shares resulted in the consolidated entity obtaining a 50% shareholding in City North Infrastructure (CNI) with the remaining 50% being held by the Department of Transport and Main Roads. The QTH consolidated entity does not have control or significant influence over CNI Pty Ltd and as such the results have not been consolidated.

\*\* On 6 December 2010, all shares in Queensland Motorways Limited (QML) were transferred to the QTH consolidated entity, which were held in Trust on behalf of the State. No beneficial interest was transferred to the QTH consolidated entity and as such QML's results have not been consolidated. These shares were transferred back to the State of Queensland on 27 May 2011 (2010: 2 of a total of 187,523 ordinary shares).

### 42 (a) Related party transactions

During the year the following transactions were undertaken between the QTH consolidated entity and related parties. All transactions were at normal commercial terms and conditions unless otherwise stated.

- Funds invested with the QTC Cash Fund and QTC Working Capital Facility as at 30 June 2012 totalled \$44.4 million (2011: \$26.7 million) and interest income net of management fees received during the year totalled \$2.1 million (2011: \$1.4 million).
- No additional funds were borrowed from QTC during the year (2011: \$2,287.1 million). The balance of loans outstanding to QTC as at 30 June 2012 was \$2,610.5 million (2011: \$2,358.2 million) with interest expense and fees totalling \$138.6 million (2011: \$71.1 million) capitalised against these loans.
- QTC provides administrative services to the QTH consolidated entity. A fee of \$384,189 (2011: \$123,080) was charged for these services.

### 43 Events occurring after balance date

As at the date of these financial statements the State Budget was yet to be handed down and while the department will be required to contribute to the government's cost saving program, the actual quantum of any savings or impacts for the department are not yet known.

There are no other known events occurring after the reporting date which will materially affect the consolidated entity's financial outcome reported for the 2011-12 financial year.

Notes To and Forming Part of the Financial Statements 2011-12

## 44 Financial instruments

### (a) Categorisation of financial instruments

The consolidated entity has the following categories of financial asset and liabilities:

Category	Note	2012 \$'000	2011 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	21	64,865	146,752
Receivables and loans	22/27	199,900	202,903
Lease receivables	23	186,912	..
Other accrued revenue	25	3,874	1,104
Security deposits	25	572	..
Other financial assets	26	2,807,580	2,805,505
<b>Total</b>		<b>3,263,703</b>	<b>3,156,264</b>
<b>Financial liabilities</b>			
Payables	31	17,850	35,384
Financial liabilities - QTC borrowings	35	2,610,468	2,358,170
<b>Total</b>		<b>2,628,318</b>	<b>2,393,554</b>

### (b) Financial risk management

The management of financial risk is integral to the Department's overall governance framework. Risk exposures include credit risk, market risk, including investment volatility and liquidity risk.

The consolidated entity's activities expose it to a variety of financial risks; market risk (including price and interest rate risk), liquidity risk and credit risk. The consolidated entity manages its exposure to these financial risks through advice and consultation with QTC primarily in relation to its borrowing activities. Risk management parameters are reviewed regularly to reflect changes in market conditions and changes to the consolidated entity's activities.

### (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.

Credit risk (receivables) is managed pursuant to internal policies. These focus on the prompt collection of revenues due and payable to the department and follow-up of outstanding fees and charges within specified timeframes. Any write-offs require high level approval.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets net of any provisions for impairment as indicated in the notes to the Statement of Financial Position.

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

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

The consolidated entity is exposed to credit risk in relation to the receivables arrangements entered into with BPH. BPH has assigned its rights to the consolidated entity to receive money payable to it by the Port Manager, Port of Brisbane Pty Ltd (PBPL). In 2010-11, two payments were made which transferred the rights and benefits of cashflows from BPH to QTH. An upfront payment of \$50,511,095 was made to BPH for the rights to payments under a loan arrangement entered into between BPH and QPH Hold Trust as part of the sale of the Brisbane Port operations. A further amount of \$121,249,852 was paid in return for BPH's rights to future licence fees from PBPL. In the current financial year an amount of \$2,500,000 was received against the loan arrangement, with \$10,000 received against the licence fee arrangement.

In the event there is a shortfall in the receipt of cashflows from PBPL, there is a guarantee from the State to enable it to meet its debt obligations backing these arrangements.

Notes To and Forming Part of the Financial Statements 2011-12

44 Financial instruments (continued)

(c) Credit risk exposure (continued)

The consolidated entity is also exposed to credit risk through its investments in the QTC Cash Fund and the QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of a credit failure is remote. The remainder of cash is held with the Commonwealth Bank under the Whole of Government Cash Management facility.

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

2012 Financial assets past due but not impaired

	Overdue				
	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total overdue
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Receivables	831	23	49	136	1,039
<b>Total</b>	<b>831</b>	<b>23</b>	<b>49</b>	<b>136</b>	<b>1,039</b>

2011 Financial assets past due but not impaired

	Overdue				
	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total overdue
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Receivables	21,568	2,815	14	89	24,486
<b>Total</b>	<b>21,568</b>	<b>2,815</b>	<b>14</b>	<b>89</b>	<b>24,486</b>

2012 Individually impaired financial assets

	Overdue				
	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total overdue
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Receivables	..	..	..	9	9
Allowance for impairment	..	..	..	(9)	(9)
<b>Carrying amount</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>

2011 Individually impaired financial assets

	Overdue				
	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total overdue
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Receivables	..	..	..	24	24
Allowance for impairment	..	..	..	(24)	(24)
<b>Carrying amount</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>

The method for calculating any provisional impairment is based on past experience, current and expected changes in economic conditions and changes to clients' financial positions.

The recognised impairment loss is \$9,000 for the current year (2011: \$24,000).

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.

#### 44 Financial instruments (continued)

##### (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.

Queensland Treasury and Trade manages liquidity risk by ensuring that the department has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The consolidated entity is exposed to liquidity risk in the normal course of business and through its borrowings from Queensland Treasury Corporation however this is mitigated by back to back arrangements whereby the entity's debt obligations relating to the Port loans are matched by the receipt of cash flows from receivables purchased from Brisbane Port Holdings Pty Ltd (BPH). Interest on the QRN share loan is capitalised. In addition there are guarantees from the State Government in the event a shortfall occurs (refer notes 15 & 35).

The following table analyses the financial liabilities held by the consolidated entity into relevant maturity periods based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, except for payables which are shown at their carrying value.

	Note	2012 payable in			Total \$'000
		< 1 year \$'000	1 - 5 years \$'000	> 5 years \$'000	
<b>Financial liabilities</b>					
Payables	31	17,850	..	..	17,850
QTC Borrowings		31,048	82,828	3,262,637	3,376,513
<b>Total</b>		<b>48,898</b>	<b>82,828</b>	<b>3,262,637</b>	<b>3,394,363</b>

	Note	2011 payable in			Total \$'000
		< 1 year \$'000	1 - 5 years \$'000	> 5 years \$'000	
<b>Financial liabilities</b>					
Payables	31	35,384	..	..	35,384
QTC Borrowings		2,500	2,350,382	241,642	2,594,524
<b>Total</b>		<b>37,884</b>	<b>2,350,382</b>	<b>241,642</b>	<b>2,629,908</b>

##### (e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange, interest rates and equity prices will affect the consolidated entity's income or value of its holdings of financial instruments. The objective is to manage and control market risk exposure within acceptable parameters, while optimising return within desired frameworks.

###### i) Price risk

Equity price risk arises from movements in the share price of the QR National Limited shares. The investment exposure of these shares is monitored based on market data.

###### ii) Interest rate risk

Interest rate exposure relating to QTC borrowings is minimised by managing to a benchmark duration, which takes into account the cashflows associated with the loans. The Board approves the interest rate risk management parameters including the target modified duration in consultation with QTC.

The consolidated entity is also exposed to interest rate risk on its financial assets through its investment in the QTC Cash Fund, the QTC Working Capital Facility and cash held with the Commonwealth Bank. The balances held in these accounts are used to meet the short term cash requirements of the consolidated entity.

#### 44 Financial instruments (continued)

##### (f) Sensitivity analysis

The following interest rate sensitivity analysis is based on depicting the outcome to the surplus if interest rates were to change by +/- 1% from the year end rates applicable to Queensland Treasury and Trade's financial assets and liabilities. Queensland Treasury and Trade would have a surplus/deficit and equity increase/decrease of \$0.384 million (2011:\$0.335 million) which is attributable to the department's exposure to variable interest rates on its cash balances.

Financial instruments	Carrying amount	2012 Interest rate risk			
		-1%		1%	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash*	44,365	(444)	(444)	444	444
Interest bearing liabilities	133,600	60	60	(60)	(60)
<b>Potential impact</b>		<b>(384)</b>	<b>(384)</b>	<b>384</b>	<b>384</b>

\*excludes fixed rate or non-interest bearing assets

Financial instruments	Carrying amount	2011 Interest rate risk			
		-1%		1%	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash*	41,400	(414)	(414)	414	414
Interest bearing liabilities	125,581	79	79	(79)	(79)
<b>Potential impact</b>		<b>(335)</b>	<b>(335)</b>	<b>335</b>	<b>335</b>

\*excludes fixed rate or non-interest bearing assets

QTC borrowings include both floating rate and loans that are fixed in nature. The interest rate sensitivity of the floating rate loan is based on a modified duration of six years and includes the effect of periodic rebalancing over the year. No interest rate sensitivity has been calculated for fixed rate loans. In relation to the QRN share loan, the loan is structured to approximate a fixed rate loan by allowing its duration to decay. There is negligible impact on interest costs from changes in interest rates structured in this manner.

Financial instruments**	Carrying amount	2012 Equities			
		-15%		15%	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Shares	2,793,127	(418,969)	(418,969)	418,969	418,969
<b>Potential impact</b>		<b>(418,969)</b>	<b>(418,969)</b>	<b>418,969</b>	<b>418,969</b>

Financial instruments**	Carrying amount	2011 Equities			
		-15%		15%	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Shares	2,803,922	(420,588)	(420,588)	420,588	420,588
<b>Potential impact</b>		<b>(420,588)</b>	<b>(420,588)</b>	<b>420,588</b>	<b>420,588</b>

\*\*Sensitivity analysis for equity instruments is based on a reasonable possible change in the ASX 200 share price which is estimated at +/- 15%

The QIC Growth Fund is exposed to market risk in the form of movements in interest rates and equity prices, however, as the impact of any movement is not material, it has not been included in the sensitivity analysis.

#### 44 Financial instruments (continued)

(g) *Fair value*

All financial instruments measured at fair value have been classified in accordance with the hierarchy described in AASB 7: *Financial Instruments: Disclosures*. The fair value hierarchy reflects the significance of the inputs used to determine the valuation of these instruments.

Level 1 fair value measurements are those derived directly from quoted market prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 fair value measurements are those using inputs other than quoted prices included within level 1 that are observable directly or indirectly from the market data.

Level 3 fair value measurements are those derived from unobservable inputs or observable inputs to which significant adjustments have been applied.

According to the above hierarchy, the fair values of each class of asset recognised at fair value are as follows:

Class	Classification according to fair value hierarchy			2012 Total Consolidated Carrying Amount \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets</b>				
Cash at bank	20,477	..	..	20,477
QTC cash fund and working capital facility	..	44,367	..	44,367
Loans and receivables	..	53,214	138,639	191,853
Shares	2,793,127	..	..	2,793,127
Units in QIC growth fund	..	9,852	..	9,852
<b>Total</b>	<b>2,813,604</b>	<b>107,433</b>	<b>138,639</b>	<b>3,059,676</b>

Class	Classification according to fair value hierarchy			2012 Total Consolidated Carrying Amount \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets</b>				
Cash at bank	119,995	..	..	119,995
QTC cash fund and working capital facility	..	26,746	..	26,746
Loans and receivables	..	52,365	127,199	179,564
Shares	2,803,922	..	..	2,803,922
<b>Total</b>	<b>2,923,917</b>	<b>79,111</b>	<b>127,199</b>	<b>3,130,227</b>

The fair values of assets and liabilities have been based on the following:

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

Cash and cash equivalents are held at fair value.

Units in the QIC Growth Fund No.2 are based on the closing unit price as valued by the Unit Trust.

Financial assets at fair value through profit or loss include shares valued using the quoted bid price at reporting date.

The fair value of receivables when short term in nature, is based on the carrying value. For loans and receivables where recovery is deferred, the receivable is discounted to present value using a discount rate taking into account the entity specific risks, and using valuation techniques.

The fair value of QTC Loans is based on the QTC quoted market value of the debt outstanding at balance date.

Notes To and Forming Part of the Financial Statements 2011-12

44 Financial instruments (continued)

(g) Fair value (continued)

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities</b>				
Financial liabilities at amortised cost:				
Interest Bearing Liabilities - loans with QTC	2,610,468	2,657,710	2,358,170	2,368,603
<b>Total</b>	<b>2,610,468</b>	<b>2,657,710</b>	<b>2,358,170</b>	<b>2,368,603</b>

45 Adjustments to consolidated comparatives

Changes in accounting policies

In July 2010, the accounting standard on leases was changed to remove the requirement that a land lease is to be classified as an operating lease. The change enabled an assessment to be made on the basis of whether the lease transfers substantially all the risks and rewards incidental to ownership, in which case the lease would be classified as a finance lease. The QTH consolidated entity holds long-term leases in relation to property and infrastructure held by Brisbane Port Holdings Pty Ltd (BPH), Queensland Airport Holdings (Cairns) Pty Ltd (QAHM) and Queensland Airport Holdings (Mackay) Pty Ltd (QAHM) and have foregone the right to use these assets for a period of 99 years in return for an upfront payment. The land was originally classified as an operating lease, however, while the title has not been passed to the lessees, substantially all risks and rewards have transferred, with the consolidated entity in a similar economic position to that if the title had been transferred. A reassessment of these transactions during the financial year has resulted in the entire leases being classified as finance leases. This change in accounting policy has been applied retrospectively.

The following table summarises the transitional adjustments made to the statements upon implementation of the new accounting policy:

Category	Opening Consolidated 2011 \$'000	Adjustment \$'000	Restated Consolidated 2011 \$'000	Opening Consolidated 2010 \$'000	Adjustment \$'000	Restated Consolidated 2010 \$'000
<b>Revenue</b>						
Lease income	2,863	(2,863)	..	552	(552)	..
<b>Gains</b>						
Gain on revaluation to investment property	11,599	(11,599)	..	..	..	..
<b>Non-current assets</b>						
Investment property*	1,034,514	(1,034,514)	..	54,664	(54,664)	..
<b>Current liabilities</b>						
Unearned revenue	14,173	(10,332)	3,841	790	(552)	238
<b>Non-current liabilities</b>						
Unearned revenue	1,005,559	(1,005,504)	55	53,291	(53,291)	..
<b>Equity – Accumulated surplus</b>						
Balance 1 July	63,289	(821)	62,468	61,228	(269)	60,959
Operating result from continuing operations	454,323	(14,462)	439,861	2,346	(552)	1,794
<b>Contributed equity</b>						
Net assets transferred to QTH – Brisbane Port Holdings Pty Ltd	97,807	(3,394)	94,413	..	..	..

Notes To and Forming Part of the Financial Statements 2011-12

## 45 Adjustments to consolidated comparatives (continued)

### Changes in accounting policies (continued)

\* Investment property consists of freehold land leased to third parties under long term arrangements. The rights to use the assets have been leased to third parties for 99 years with expiry dates ranging from December 2107 to November 2110. All the risks and rewards associated with the land during the lease term have been transferred to the lessee despite their being no transfer of title. Therefore all land has been derecognised in these accounts. It is considered that accounting for land as a finance lease is consistent with the economic position of the transaction and as such a retrospective adjustment has been applied in the 2011-12 financial statements.

## 46 Commonwealth grants

	2012 \$'000	2011 \$'000
<b>Administered on behalf of the whole of Government</b>		
GST revenue grant	8,681,478	8,411,724
<i>Specific purpose - recurrent</i>		
- First Home Owner Boost	1,995	19,155
- Healthcare	2,545,760	2,381,927
- Schools	760,045	704,283
- Skills and workforce development	268,776	261,553
- Disability services	251,698	201,564
- Affordable housing	246,119	240,059
National Partnership Payments - recurrent project	1,394,235	3,109,044
National Partnership Payments - recurrent facilitation	49,898	93,432
National Partnership Payments - recurrent reward	169,429	69,666
National Partnership Payments - capital project	5,217,907	1,470,569
	<u>19,587,340</u>	<u>16,962,976</u>

Notes To and Forming Part of the Financial Statements 2011-12

47 Taxes, fees, fines and levies

	2012 \$'000	2011 \$'000
<b>Administered on behalf of the whole of Government</b>		
<i><b>Taxes</b></i>		
Casino tax	86,428	79,944
Gaming machine tax	572,142	550,223
Gold Lotto	193,474	175,270
Golden Casket	39,777	40,048
Keno tax	21,988	19,843
Land tax	1,020,285	1,051,387
Payroll tax	4,073,690	3,598,604
Duties	3,190,137	2,868,309
Wagering tax	40,490	39,554
Other taxes	806	792
	<u>9,239,217</u>	<u>8,423,974</u>
<i><b>Fees</b></i>		
Proceeds from sale of gaming machine authorities	15,437	903
Magistrates Court fees	3,294	..
Proceeds from sale of club entitlements	483	1,041
Other fees	3,341	2,448
	<u>22,555</u>	<u>4,392</u>
<i><b>Fines</b></i>		
Penalties	22,600	13,609
	<u>22,600</u>	<u>13,609</u>
<i><b>Levies</b></i>		
Community Ambulance Cover levy *	30,701	151,945
Health Services levy	43,152	39,670
	<u>73,853</u>	<u>191,615</u>
	<u>9,358,225</u>	<u>8,633,590</u>

\* From 1 July 2011 the Community Ambulance Cover levy (CAC) has been abolished.

#### 48 Royalties, property income and other territorial revenue

	2012 \$'000	2011 \$'000
<b>Administered on behalf of the whole of Government</b>		
Mining royalties	2,766,012	..
Competitive neutrality fees	206,263	218,909
Credit margin	4,096	4,564
Dividends	47	118
Land tax equivalent receipts	1,149	1,460
	<u>2,977,567</u>	<u>225,051</u>

#### 49 Interest revenue

<b>Administered on behalf of the whole of Government</b>		
Interest from investments	4,496	4,511
Interest from loans	1,124	1,348
Interest from trust funds	28,161	25,716
	<u>33,781</u>	<u>31,575</u>

#### 50 Administered item revenue

<b>Administered on behalf of the whole of Government</b>		
Budgeted administered item appropriation and equity	6,227,450	4,446,878
Transfer (to)/from other heading	16,189	92,123
Unforeseen expenditure	105,294	6,846,978
Total administered item receipts	<u>6,348,933</u>	<u>11,385,979</u>
Plus closing balance of administered item receivable	106,649	237,498
Less closing balance of equity withdrawal payable	(16,712)	..
Less opening balance of administered item receivable	(237,498)	(245,733)
Plus opening balance of equity withdrawal payable	80,576	(80,576)
Total administered appropriation	<u>6,281,948</u>	<u>11,297,168</u>
This is represented by:		
Administered item revenue recognised in Statement of Comprehensive Income	<u>6,363,548</u>	<u>4,355,785</u>
Equity adjustment recognised in contributed equity	<u>(81,600)</u>	<u>6,941,383</u>
	<u>6,281,948</u>	<u>11,297,168</u>

Notes To and Forming Part of the Financial Statements 2011-12

**51 Other revenue**

	2012 \$'000	2011 \$'000
<b>Administered on behalf of the whole of Government</b>		
Grant revenue from Qld Reconstruction Authority	79,513	15,604
Miscellaneous receipts	52,949	26,774
	<u>132,462</u>	<u>42,378</u>

**52 Employee expenses**

<b>Administered on behalf of the whole of Government</b>		
Superannuation	4,683	5,058
FBT expense*	(178)	21,883
FBT recovery*	516	(21,919)
Other	..	..
	<u>5,021</u>	<u>5,022</u>

\*The whole of Government FBT arrangement ceased on 31 March 2011. Balances in FBT expense and recovery represent FBT amendments from prior years. From 1 April 2011 agencies lodge returns and pay FBT directly to the Australian Taxation Office.

**53 Supplies and services**

<b>Administered on behalf of the whole of Government</b>		
GST administration expense remitted to the Commonwealth	137,342	136,295
Management fees	674	5,974
Administration fees	15,995	13,460
Other	3,540	3,570
	<u>157,551</u>	<u>159,299</u>

**54 Impairment losses**

<b>Administered on behalf of the whole of Government</b>		
Impairment losses on trade receivables	16,592	13,337
	<u>16,592</u>	<u>13,337</u>

Notes To and Forming Part of the Financial Statements 2011-12

**55 Grants and contributions**

	2012 \$'000	2011 \$'000
<b>Administered on behalf of the whole of Government</b>		
SEQ Water Grid Manager	25,146	24,915
Community Investment Fund	148,834	131,081
Fuel Subsidy Scheme	..	(20)
Payments for duties relief	122,903	3,740
Natural Disaster Relief and Recovery Assistance (NDRRA) payments	1,127	20,357
Grant to Qld Reconstruction Authority	79,513	15,604
QRAA exceptional circumstances	162	13,273
Other	11,031	12,262
	<u>388,716</u>	<u>221,212</u>

**56 Benefit payments**

<b>Administered on behalf of the whole of Government</b>		
First Home Owner Payments	139,910	123,780
Queensland Building Boost Grant	98,460	..
	<u>238,370</u>	<u>123,780</u>

**57 Interest expense**

<b>Administered on behalf of the whole of Government</b>		
Interest paid by Treasury Offset Bank Account on trust and bank balances	47,822	62,412
	<u>47,822</u>	<u>62,412</u>

**58 Borrowing costs**

<b>Administered on behalf of the whole of Government</b>		
Interest on loans – Commonwealth Government	1,802	2,156
Interest on loans – QTC	1,429,353	940,960
Interest - other	27	308
Market Value Realisation charge on repayment of QTC Borrowings	671	(4,465)
	<u>1,431,853</u>	<u>938,959</u>

Notes To and Forming Part of the Financial Statements 2011-12

59 Other expenses

	2012 \$'000	2011 \$'000
<b>Administered on behalf of the whole of Government</b>		
Queensland Government Insurance Fund claims and concessions	100,613	90,823
Reinsurance expense	17,541	..
Other	14,010	13,901
	<u>132,164</u>	<u>104,724</u>

60 Total administered comprehensive income

The total comprehensive income resulting from administered transactions represents the movement in the Community Investment Fund (CIF). In 2010-11 accumulated surpluses funded a portion of CIF expenses.

61 Cash

<b>Administered on behalf of the whole of Government</b>		
Cash at bank	<u>1,117,920</u>	<u>3,009,114</u>
Comprised of:		
Whole of Government Treasury Offset arrangement*	45,475	749,173
Other administered bank accounts	1,072,445	2,259,941
	<u>1,117,920</u>	<u>3,009,114</u>

\* The whole of Government Treasury offset arrangement incorporates the Treasury Offset Bank Account which is an overdraft facility as required under section 49 (1) of the *Financial Accountability Act 2009* and a Queensland Treasury Corporation (QTC) Working Capital Facility. This overdraft facility is part of an offset arrangement with other departmental bank accounts and is taken into account in determining the interest earned on the whole of Government position. Cash at bank is an aggregate of Treasury administered bank accounts including the Treasury Offset Bank Account.

\* In addition, Queensland Treasury and Trade have established another setoff arrangement with the CBA to maximise interest earned on surplus cash balances held by departmental bank accounts that do not fall within the whole of Government setoff arrangement.

\* The QTC Working Capital Facility is used for short term borrowings. The market value of the borrowings in the QTC Working Capital Facility at 30 June 2012 is represented by its book value (as notified by QTC). Interest is calculated daily based on the Reserve Bank's official cash rate. Interest is charged at rates between 4.8% to 3.5% (2011: between 4.50% and 4.85%) along with an administration margin of 0.05%.

## 62 Receivables

	2012 \$'000	2011 \$'000
<b>Administered on behalf of the whole of Government</b>		
<i>Current</i>		
Trade debtors	913,350	381,056
Less allowance for impairment	(312,343)	(55,121)
	<u>601,007</u>	<u>325,935</u>
Loans and advances *	15,020	14,903
	<u>15,020</u>	<u>14,903</u>
Non appropriated equity injection receivable	16,712	..
Administered item revenue receivable	106,649	237,498
	<u>123,361</u>	<u>237,498</u>
	<u>739,388</u>	<u>578,336</u>
<i>Non-current</i>		
Loans and advances *	163,138	97,407
	<u>163,138</u>	<u>97,407</u>
Other debtors	2,780	2,845
	<u>2,780</u>	<u>2,845</u>
	<u>165,918</u>	<u>100,252</u>
<b>Movements in the provision for impairment</b>		
Balance at 1 July	55,122	95,334
Opening balance of provision for impairment - SPER	269,173	..
Amounts written off during the year	(28,794)	(54,192)
Amounts recovered during the year	250	643
Increase/(decrease) recognised in Statement of Comprehensive Income	16,592	13,337
Balance at 30 June	<u>312,343</u>	<u>55,122</u>

\* Natural Disaster Relief and Recovery Arrangements (NDRRA) loans are carried at amortised cost. Repayments are received yearly in arrears. The Commonwealth Attorney-General's Department – Emergency Management Australia determines the annual interest rate to be applied to the loans. In the 2011-12 year the interest rate was 2.67% (2011: 2.77%) which was calculated as 50% of the 10-year Treasury bond rate, averaged over the three-month period between April and June 2011.

### 63 Other current assets

	2012	2011
	\$'000	\$'000
<b>Administered on behalf of the whole of Government</b>		
<i>Current</i>		
Royalties - accrued revenue	318,271	..
Other accrued revenue	68,901	53,604
Prepayments	9,490	..
	<u>396,662</u>	<u>53,604</u>

### 64 Payables

<b>Administered on behalf of the whole of Government</b>		
<i>Current</i>		
GST input tax credits receivable	(512)	(334)
GST payable	10,375	8,965
Net GST payable	<u>9,863</u>	<u>8,631</u>
Appropriated equity withdrawal payable	16,712	..
Trade creditors	57,206	82,026
Payable to central schemes	379,054	337,936
Insurance premiums on-pass to State	98,463	3,878
Other creditors	9,398	6,754
	<u>570,696</u>	<u>439,225</u>

## 65 Interest-bearing liabilities

	2012 \$'000	2011 \$'000
<b>Administered on behalf of the whole of Government</b>		
<i>Current</i>		
Commonwealth borrowings #	8,761	8,761
	<u>8,761</u>	<u>8,761</u>
<i>Non-current</i>		
Commonwealth borrowings #	37,981	43,845
QTC Borrowings *	26,432,981	20,288,630
	<u>26,470,962</u>	<u>20,332,475</u>

# Interest is charged on Commonwealth Backlog Sewerage and Natural Disaster Relief and Recovery Arrangements (NDRRA) loans at a predetermined rate and recognised as an expense as it accrues. Interest is charged on the Commonwealth Backlog Sewerage loans at rates between 9.05% and 10.40%. The Commonwealth Attorney-General's Department – Emergency Management Australia determines the annual interest rate to be applied to the NDRRA loans. In the 2011-12 year the interest rate was 2.67% (2011: 2.77%) which was calculated as 50% of the 10-year Treasury bond rate, averaged over the three-month period between April and June 2011.

\*Interest is charged on QTC Borrowings at rates of between 4.34% and 6.09% (2011: between 3.63% and 6.37%) along with an administration margin at rates between 0.05% and 0.10% (2011 between 0.05% and 0.09%) which is accrued and paid quarterly to QTC.

## 66 Other liabilities

<b>Administered on behalf of the whole of Government</b>		
Unearned revenue	12,923	134,859
Sundry liabilities	10,364	14,686
	<u>23,287</u>	<u>149,545</u>

## 67 Reconciliation of administered comprehensive income to net cash from operating activities

	2012 \$'000	2011 \$'000
<b>Administered on behalf of the whole of Government</b>		
<b>Administered comprehensive income</b>	..	(5,723)
<b>Add/(subtract) items classified as investing/financing activities:</b>		
Loans and advances	(113)	..
Commonwealth NDRRA borrowing	..	(2,979)
Interest expense on QTC loans	3,822	17,789
Equity Withdrawal	80,576	..
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in GST input tax credits receivable	(178)	1,210
(Increase)/decrease in trade and other receivables	(275,072)	(164,173)
(Increase)/decrease in accrued royalties	(318,271)	..
(Increase)/decrease in other assets	(24,787)	(79,894)
(Increase)/decrease in accrued tax ,fees and fines	(21,383)	..
(Increase)/decrease in administered appropriation receivable	130,849	8,234
Increase/(decrease) in trade and other payables	72,409	(28,466)
Increase/(decrease) in payables to central schemes	41,118	..
Increase/(decrease) in GST payable	1,410	..
Increase/(decrease) in transfers to government payable	377,536	667,812
Increase/(decrease) in other liabilities	(126,258)	..
<b>Net cash provided by/(used in) operating activities</b>	<b>(58,342)</b>	<b>413,810</b>

## 68 Non-cash financing and investing activities

On 13 March 2012 \$45.46 million of debt associated with the Identity Directory and Email Services (IDES) system was transferred from CITEC to Treasury Administered. The transfer was deemed to be a contribution/distribution by/ from the owners and was adjusted against CITEC's and Treasury Administered's contributed equity as a non-reciprocal transfer of borrowings in accordance with AASB 1004 *Contributions*.

## 69 Commitments for expenditure

	2012 \$'000	2011 \$'000
<b>Administered on behalf of the whole of Government</b>		
<b>Grant expenditure commitments</b>		
Grant commitments, from the Community Investment Fund, not subject to GST, committed to be provided for at reporting date, but not recognised in the financial statements, are payable as follows:		
Not later than one year	161,718	164,714
Later than one year and not later than five years	416,498	412,742
Later than five years	..	..
Total commitments	<u>578,216</u>	<u>577,456</u>

## 70 Contingencies

### Administered on behalf of the whole of Government

#### Litigation in progress

As at 30 June 2012 the following cases were filed in the courts:

	Cases
Supreme Court	6
Civil and Administrative Tribunal	11
Magistrates Court	..
Total	<u>17</u>

These cases relate to revenue collected by the Office of State Revenue. The department's legal advisers and management believe there is insufficient information available to determine the outcome of the abovementioned cases. Accordingly, no provision has been taken up in Queensland Treasury and Trade's financial statements.

An estimate of the liability and/or potential revenue foregone should the outcomes of the abovementioned cases prove unfavourable for Queensland Treasury and Trade is \$18.875 million.

Further to the above, as at 30 June 2012, the Office of State Revenue was considering 272 objections relating to duties, payroll tax, land tax, Queensland Building Boost Grant and the First Home Owner Grant scheme.

In addition to litigation in progress, the department is monitoring the progress of negotiations in relation to a possible indemnity commitment. The estimated exposure is possibly in the range of \$1M - \$5M.

## 71 Financial instruments

### (a) *Categorisation of financial instruments*

Queensland Treasury and Trade has the following categories of financial assets and financial liabilities:

<b>Administered on behalf of the whole of Government</b>			
<b>Category</b>	<b>Notes</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
<b>Financial assets</b>			
Cash and cash equivalents	61	1,117,920	3,009,114
Receivables	62	905,306	678,588
Accrued taxes, fees and fines		314,232	292,849
Other current assets	63	387,172	53,604
<b>Total</b>		<b>2,724,630</b>	<b>4,034,155</b>
<b>Financial liabilities</b>			
Payables		1,899,723	1,390,716
Commonwealth borrowings	65	46,742	52,606
QTC borrowings	65	26,432,981	20,288,630
Sundry liabilities	66	10,364	14,686
<b>Total</b>		<b>28,389,810</b>	<b>21,746,638</b>

### (b) *Financial risk management*

The management of financial risk is integral to Queensland Treasury and Trade's overall governance framework. Risk exposures include credit risk, market risk, including investment volatility and liquidity risk.

Queensland Treasury and Trade has adopted various strategies for the mitigation of each risk category, including active monitoring by the Fiscal and Taxation Policy Branch, of borrowings by the State on behalf of the whole of Government.

It is assisted in the discharge of these responsibilities through the provision of professional advice and assistance by the Queensland Treasury Corporation (borrowings and short term investments).

Queensland Treasury and Trade's internal financial reporting framework and oversight by the department's Resource Governance and Risk Management committees also contribute to the effective management of the department's financial risks.

### (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.

Credit risk (receivables) is managed pursuant to internal Queensland Treasury and Trade policies. These focus on the prompt collection of revenues due and payable to the department (and to the Consolidated Fund) and follow-up of outstanding fees and charges within specified timeframes. Any write-offs require high level approval.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets net of any provisions for impairment as indicated in the notes to the Statement of Financial Position.

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

To reduce exposure to credit default, the department manages credit risk by ensuring it monitors all funds owed on a timely basis. Exposure to credit risk is monitored on a regular basis.

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

## 71 Financial instruments (continued)

### (c) Credit risk exposure (continued)

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

#### Administered on behalf of the whole of Government

##### 2012 Financial assets past due but not impaired

	Overdue				Total overdue
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>					
Receivables	21,148	19,678	3,821	443,979	488,626
<b>Total</b>	<u>21,148</u>	<u>19,678</u>	<u>3,821</u>	<u>443,979</u>	<u>488,626</u>

#### Administered on behalf of the whole of Government

##### 2011 Financial assets past due but not impaired

	Overdue				Total overdue
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>					
Receivables	30,875	16,835	10,789	108,181	166,680
<b>Total</b>	<u>30,875</u>	<u>16,835</u>	<u>10,789</u>	<u>108,181</u>	<u>166,680</u>

#### Administered on behalf of the whole of Government

##### 2012 Individually impaired financial assets

	Overdue				Total overdue
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>					
Receivables	1,612	3,424	930	306,377	312,343
Allowance for impairment	(1,612)	(3,424)	(930)	(306,377)	(312,343)
<b>Carrying Amount</b>	<u>..</u>	<u>..</u>	<u>..</u>	<u>..</u>	<u>..</u>

## 71 Financial instruments (continued)

### (c) Credit risk exposure (continued)

#### Administered on behalf of the whole of Government

##### 2011 Individually impaired financial assets

	Overdue				Total overdue \$'000
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>					
Receivables	927	654	2,609	50,931	55,121
Allowance for impairment	(927)	(654)	(2,609)	(50,931)	(55,121)
<b>Carrying Amount</b>	<u>..</u>	<u>..</u>	<u>..</u>	<u>..</u>	<u>..</u>

The method for calculating any provisional impairment is based on past experience, current and expected changes in economic conditions and changes to clients' financial positions.

The recognised impairment loss is \$12.202 million for the current year (2011: \$40.855 million).

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.

### (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.

Queensland Treasury and Trade is exposed to liquidity risk in respect of its payables, Commonwealth borrowings and borrowings from Queensland Treasury Corporation for the Floating Rate and Government Debt Pools.

The following table sets 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 liabilities at reporting date.

#### Administered on behalf of the whole of Government

Notes	2012 payable in			Total \$'000
	< 1 year	1 - 5 years	> 5 years	
	\$'000	\$'000	\$'000	
<b>Financial liabilities</b>				
Payables	1,899,723	..	..	1,899,723
Sundry liabilities	10,364			10,364
Commonwealth borrowings	8,901	31,831	6,009	46,741
QTC borrowings	2,152,554	5,984,643	25,935,700	34,072,897
<b>Total</b>	<u>4,071,542</u>	<u>6,016,474</u>	<u>25,941,709</u>	<u>36,029,725</u>

## 71 Financial instruments (continued)

### (d) Liquidity risk (continued)

Administered on behalf of the whole of Government					
Notes	2011 payable in			Total \$'000	
	< 1 year	1 - 5 years	> 5 years		
	\$'000	\$'000	\$'000		
<b>Financial liabilities</b>					
		1,390,716	..	..	1,390,716
Payables					
Sundry liabilities	66	14,686	..	..	14,686
Commonwealth borrowings		10,501	36,962	5,143	52,606
QTC borrowings		3,132,153	4,521,122	18,130,418	25,783,693
<b>Total</b>		<b>4,548,056</b>	<b>4,558,084</b>	<b>18,135,561</b>	<b>27,241,701</b>

### (e) Market risk

Queensland Treasury and Trade does not trade in foreign currency and is not exposed to commodity price changes. The department is exposed to interest rate risk through its borrowings and cash deposited in interest bearing accounts. Queensland Treasury and Trade does not undertake any hedging in relation to interest risk.

### (f) Interest rate sensitivity analysis

The following interest rate sensitivity analysis depicts the outcome to comprehensive income if interest rates were to change by +/- 1% from the year end rates applicable to Queensland Treasury and Trade's financial assets and liabilities. Queensland Treasury and Trade would have a surplus/deficit and equity increase/decrease of \$25.453 million (2011:\$ 28.145 million). This is mainly attributable to the department's exposure to variable interest rates on its borrowings from QTC and the Commonwealth and on its decreased cash holdings.

Administered on behalf of the whole of Government					
Financial instruments	Carrying amount \$'000	2012 Interest rate risk			
		-1%		1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash	45,475	(455)	(455)	455	455
Commonwealth borrowings	46,742	467	467	(467)	(467)
QTC borrowings - FRDP	646,012	6,460	6,460	(6,460)	(6,460)
QTC borrowings - GDP*	25,786,969	18,980	18,980	(18,180)	(18,180)
<b>Potential Impact</b>		<b>25,453</b>	<b>25,453</b>	<b>(24,653)</b>	<b>(24,653)</b>

## 71 Financial instruments (continued)

### (f) Interest rate sensitivity analysis (continued)

#### Administered on behalf of the whole of Government

Financial instruments	Carrying amount	2011 Interest rate risk			
		-1%		1%	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	749,173	(7,492)	(7,492)	7,492	7,492
Commonwealth borrowings	52,606	526	526	(526)	(526)
QTC borrowings - FRDP	1,946,629	19,466	19,466	(19,466)	(19,466)
QTC borrowings - GDP*	18,342,000	15,644	15,644	(15,644)	(15,644)
<b>Potential Impact</b>		<b>28,145</b>	<b>28,145</b>	<b>(28,145)</b>	<b>(28,145)</b>

\* QTC borrowing GDP includes a portion of fixed rate loans which are not affected by movements in interest rates.

### (g) Fair value

Queensland Treasury and Trade does not recognise any financial assets or financial liabilities at fair value other than for cash and cash equivalents on its Statement of Financial Position.

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

The fair value of monetary financial assets and financial liabilities, other than QTC borrowings, is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

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 and is disclosed below:

#### Administered on behalf of the whole of Government

#### Fair value

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Receivables	905,306	781,152	678,588	566,253
	<u>905,306</u>	<u>781,152</u>	<u>678,588</u>	<u>566,253</u>
<b>Financial liabilities</b>				
Commonwealth borrowings	46,742	50,440	52,606	51,868
QTC borrowings	26,432,981	28,671,255	20,288,629	20,728,024
<b>Total</b>	<u>26,479,723</u>	<u>28,721,695</u>	<u>20,341,235</u>	<u>20,779,892</u>

Notes To and Forming Part of the Financial Statements 2011-12

## 72 Trust transactions and balances

As the department performs only a custodial role in respect of these transactions and balances they are not recognised in the financial statements but are shown here for disclosure purposes.

Name	Description
Local Government General Rates Equivalent Regime	The Local Government General Rates Equivalent Regime collects general rates equivalents on port land in commercial use by government owned concerns and SEQ Bulk Water authorities. General Rates Equivalents are then forwarded to local authorities.
Services Provision Fund	Microsoft provided an amount equal to 6% of total purchases made by government agencies into the Government Information Technology Committee Services Provision Fund (GITC SPF) each year. The GITC SPF is used to fund Queensland Government projects that meet certain criteria.
QR National Refund Account	Queensland Treasury and Trade as the supply facilitator for the sale of QR National managed the bank accounts associated with the 'Initial Public Offering' (IPO). The Department holds the remaining account in trust for the State of Queensland and does not have any control over the funds. Net proceeds including interest to date were recorded in the Consolidated Fund for the State of Queensland. The current balance of funds represents un-presented refund cheques.
ICT Innovation Fund	The ICT Innovation Fund provides funding for the identification and implementation of innovative ways for the Queensland Government to do business through early engagement of ICT-enabled projects, including feasibility studies, pilot projects and proofs of concept.

The Queensland Auditor-General performed the audit of the department's trust transactions for 2011-12.

Funds listed below are held by 'The corporation sole of the Treasurer of Queensland' as constituted under section 53 of the *Financial Accountability Act 2009* on behalf of the bodies which do not have the power to invest in their own right or who are required to lodge security or other deposits.

Fund name	Audit arrangements
Friendly Societies	Auditor-General of Queensland
Security Deposits	Auditor-General of Queensland
Public Sector Management Program	Auditor-General of Queensland
Queensland Health, Residents and Patients' Trusts	Auditor-General of Queensland
Trust Company Security Deposits	Auditor-General of Queensland

## 72 Trust transactions and balances

	2012 \$'000	2011 \$'000
<b>Expenses and revenue administered on behalf of other entities</b>		
<b>Administered revenues</b>		
Interest income	208	208
Tax equivalent receipts	3,398	2,953
Unclaimed monies	..	970
Services Provision Fund revenue	..	..
<b>Total administered revenues</b>	<u>3,606</u>	<u>4,131</u>
<b>Administered expenses</b>		
Transfers to other government entities	..	13,123
Administration charges	1	1
Claims and settlements	..	201
Special payments	3,392	2,953
Services Provision Fund claims	2,778	2,130
Interest expense	173	114
<b>Total administered expenses</b>	<u>6,344</u>	<u>18,522</u>
<b>Net surplus/(deficit)</b>	<u>(2,738)</u>	<u>(14,391)</u>

<b>Assets and liabilities administered on behalf of other entities</b>		
<b>Administered current assets</b>		
<b>Cash at bank</b>		
QR National	2	132
Local Government General Rates Equivalents Regime	9	3
Services Provision Fund	1,713	4,491
Treasurer of Queensland Deposits	1,189	1,537
Treasurer's Unclaimed Monies Fund*	..	1
<b>Total</b>	<u>2,913</u>	<u>6,164</u>
<b>Investments</b>		
Government and other bonds	140	185
<b>Total</b>	<u>140</u>	<u>185</u>
<b>Total administered assets</b>	<u>3,053</u>	<u>6,349</u>
<b>Other Creditors</b>		
Accrued expenses	(6)	(9)
Other deposits held	(2)	..
<b>Total</b>	<u>(8)</u>	<u>(9)</u>
<b>Total administered liabilities</b>	<u>(8)</u>	<u>(9)</u>
<b>Net assets</b>	<u>3,045</u>	<u>6,340</u>

\*From 1 July 2010 responsibility for administering the Treasurer's Unclaimed Money's Fund transferred to the Public Trustee.

Notes To and Forming Part of the Financial Statements 2011-12

### 73 Transfer payments

Payments under the Intergovernmental Agreement on Federal Financial Relations are made from the Commonwealth Treasury to the State and Territory Treasuries. These payments represent Specific Purpose Payments, National Partnership Payments and general revenue assistance.

While most of these payments are receipted and paid out to departments via appropriation funding, some payments are passed on directly to the relevant entities. These payments occur where:

- The payment is ultimately for a third party – for example, non-Government schools and local governments
- The payment is a reimbursement of expenditure incurred by the State after invoicing the Commonwealth, or
- The agreement with the Commonwealth requires the payment to be paid into an interest bearing account held by the final recipient of the funding.

Amounts received from the Commonwealth for direct payments to the following entities in 2011-12 totalled \$1.776 billion (2010-11 totalled \$1.982 billion):

- Former Department of Community Safety
- Department of the Premier and Cabinet
- Department of Local Government
- Former Department of Employment, Economic Development and Innovation
- Department of Education, Training and Employment
- Former Department of Environment and Resource Management
- Queensland Rural Adjustment Authority.

### 74 Agency transactions

- (a) Queensland Treasury and Trade currently acts as an agent and processes a number of grant payments on behalf of the Department of Justice and Attorney-General (DJAG). These transactions do not form part of Queensland Treasury and Trade's accounts and are reported by DJAG. For the 2011-12 financial year the total value of grants paid was \$65.807 million (2010-11 totalled \$44.156 million).
- (b) Queensland Treasury and Trade also acts as an agent in the collection and distribution of unpaid infringement fines and court ordered monetary amounts for various external parties including other Queensland Government departments and agencies, Commonwealth agencies, Local Government bodies, Universities and individuals.

	2012 \$'000
Balance 1 June *	9,303
Collections	2,982
Distributions to principals	(2,332)
<b>Balance 30 June</b>	<b><u>9,953</u></b>

\* The functions of the State Penalties Enforcement Registry were transferred from the Department of Justice and Attorney-General to Queensland Treasury and Trade as a result of a machinery of Government change.

CERTIFICATE OF QUEENSLAND TREASURY AND TRADE

These consolidated general purpose financial statements have been prepared pursuant to section 62(1) (a) 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 Queensland Treasury and Trade for the financial year ended 30 June 2012 and of the financial position of the department at the end of that year.

D ANSON CPA, BBus  
Chief Financial Officer

H GLUER MBA, BCom, FCPA, FAICD  
Under Treasurer

30 August 2012

30 August 2012

## INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of Queensland Treasury and Trade

### **Report on the Financial Report**

I have audited the accompanying financial report of Queensland Treasury and Trade, which comprises statements of financial position and statements of assets and liabilities by major departmental services as at 30 June 2012, statements of comprehensive income, statements of changes in equity, statements of cash flows and statements of comprehensive income by major departmental services, notes comprising a summary of significant accounting policies and other explanatory information, and the certificate given by the Under Treasurer and Chief Financial Officer of the Department and the consolidated entity comprising the Department and the entities it controlled at the year's end or from time to time during the financial year.

### **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 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 Queensland Treasury and Trade and the consolidated entity for the financial year 1 July 2011 to 30 June 2012 and of the financial position as at the end of that year.

### **Other Matters - Electronic Presentation of the Audited Financial Report**

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

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



V P MANERA FCPA  
Acting Auditor General of Queensland

Queensland Audit Office  
Brisbane



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# Appendices

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## Publications

Treasury and Trade produces a range of publications, guidelines, forms and other documents relating to:

- financial and economic policy
- Government-owned corporations
- economic and statistical research, including reports such as *the Queensland Economic Review*
- export and business development
- state revenue, including land tax, pay-roll tax and duties
- the First Home Owner Grant
- advice on paying infringement notices and fines.

Many of these publications are available online through our website [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au) or by contacting the relevant Treasury and Trade office (see page 132).

### Read more

Read about Treasury's activities in:

- initiatives for women
- caring for the carers in our workforce
- reconciliation and the Government's Multicultural Action Plan
- document and records management
- spending on consultancies and overseas travel

online at [www.treasury.qld.gov.au/about/annual\\_report/](http://www.treasury.qld.gov.au/about/annual_report/)

## Statutory bodies

Transactions for the following statutory bodies and entities are accounted for in their own annual reports.

Statutory body	Legislative basis under which established
Motor Accident Insurance Commission	<i>Motor Accident Insurance Act 1994</i>
Nominal Defendant	<i>Motor Accident Insurance Act 1994</i>
Queensland Competition Authority	<i>Queensland Competition Authority Act 1997</i>
Queensland Treasury Corporation	<i>Queensland Treasury Corporation Act 1988</i>
Queensland Future Growth Corporation	<i>Future Growth Fund Act 2006</i>

The Treasurer and Minister for Trade is a joint Minister for the following entities which were established under the *South East Queensland Water (Restructuring) Act 2007*:

- Queensland Bulk Water Supply Authority (trading as Seqwater): responsibility shared with the Minister for Energy and Water Supply
- Queensland Bulk Water Transport Authority (trading as LinkWater): responsibility shared with the Minister for Energy and Water Supply
- SEQ Water Grid Manager: responsibility shared with the Minister for Energy and Water Supply

# Treasury and Trade legislation

Aboriginal Land Act 1991 (Part 7 to the extent that it is relevant to royalties)	Financial Accountability Act 2009	Petroleum and Gas (Production and Safety) Act 2004 (to the extent that it is relevant to royalties)
Agent-General for Queensland Act 1975	Financial Agreement Act 1994	Petroleum (Submerged Lands) Act 1982 (to the extent that it is relevant to royalties)
Airport Assets (Restructuring and Disposal) Act 2008	Financial Intermediaries Act 1996	Public Officers' Superannuation Benefits Recovery Act 1988
Alcan Queensland Pty. Limited Agreement Act 1965 (to the extent that it is relevant to royalties)	Financial Sector Reform (Queensland) Act 1999	Queensland Competition Authority Act 1997 (jointly administered with the Attorney-General and Minister for Justice)
Anzac Square Development Project Act 1982	First Home Owner Grant Act 2000	Queensland Investment Corporation Act 1991
Appropriation Act 2009	Fossicking Act 1994 (to the extent that it is relevant to royalties)	Queensland Nickel Agreement Act 1970 (all financial and related matters); (to the extent that it is relevant to royalties)
Appropriation Act 2010	Fuel Subsidy Repeal Act 2009	Queensland Treasury Corporation Act 1988
Appropriation Act 2011	Future Growth Fund Act 2006	South East Queensland Water (Restructuring) Act 2007 (including as a responsible Minister for the purposes of Chapter 2 of the Act)
Appropriation Act (No. 2) 2008	Gaming Machine Act 1991 (ss 314(1), 314(3) and 322(5))	State Financial Institutions and Metway Merger Facilitation Act 1996
Appropriation (Parliament) Act 2008	Geothermal Energy Act 2010 (to the extent that it is relevant to royalties)	State Penalties Enforcement Act 1999
Appropriation (Parliament) Act 2009	Government Inscribed Stock Act 1920	Statistical Returns Act 1896
Appropriation (Parliament) Act 2010	Government Loan Act 1986	Statutory Authorities (Superannuation Arrangements) Act 1994
Appropriation (Parliament) Act 2011	Government Loans Redemption and Conversion Act 1923	Statutory Bodies Financial Arrangements Act 1982
Appropriation (Parliament) Act (No. 2) 2008	Government Owned Corporations Act 1993	Superannuation (Public Employees Portability) Act 1985
Brisbane Markets Act 2002	Government Stock Act 1912	Superannuation (State Public Sector) Act 1990
Brisbane Trades Hall Management Act 1984	GST and Related Matters Act 2000	Taxation Administration Act 2001
Central Queensland Coal Associates Agreement Act 1968 (to the extent that it is relevant to royalties); (Sch pt V)	Infrastructure Investment (Asset Restructuring and Disposal) Act 2009	Thiess Peabody Coal Pty. Ltd. Agreement Act 1962 (to the extent that it is relevant to royalties)
Commonwealth Aluminium Corporation Pty. Limited Agreement Act 1957 (to the extent that it is relevant to royalties)	Judges (Pensions and Long Leave) Act 1957 (s17)	Thiess Peabody Mitsui Coal Pty. Ltd. Agreements Act 1965 (to the extent that it is relevant to royalties)
Commonwealth and State Statistical Agreement Act 1958	Land Tax Act 2010	Torres Strait Islander Land Act 1991 (Part 7 to the extent that it is relevant to royalties)
Commonwealth Places (Mirror Taxes Administration) Act 1999	Liquor Act 1992 (ss 219(2), 219(3) and 220(3))	Trans-Tasman Mutual Recognition (Queensland) Act 2003
Commonwealth Savings Bank of Australia Agreement Act 1966	Mineral Resources Act 1989 (to the extent that it is relevant to royalties)	
Community Ambulance Cover Levy Repeal Act 2011	Motor Accident Insurance Act 1994	
Competition Policy Reform (Queensland) Act 1996	Mount Isa Mines Limited Agreement Act 1985 (to the extent that it is relevant to royalties)	
Dalrymple Bay Coal Terminal (Long-Term Lease) Act 2001	Mutual Recognition (Queensland) Act 1992	
Duties Act 2001	Occupational Licensing National Law (Queensland) Act 2010	
Energy Assets (Restructuring and Disposal) Act 2006	Offshore Minerals Act 1998 (to the extent that it is relevant to royalties)	
Family Security Friendly Society (Distribution of Moneys) Act 1991	Payroll Tax Act 1971	
	Petroleum Act 1923 (to the extent that it is relevant to royalties)	

# Glossary

## COAG

Council of Australian Governments – the peak intergovernmental forum in Australia. Comprises the Prime Minister, State and Territory Premiers and Chief Ministers and the President of the Australian Local Government Association. Currently pursuing reform in economic and social participation, strengthening the national economy, sustainability and liveability, health services and Indigenous disadvantage.

## Duties

A State tax on certain transactions including transfer of property, vehicle registration, insurance contracts and other acquisitions.

## Fiscal balance

Net operating balance less net acquisitions of non-financial assets (purchases of non-financial assets less depreciation). Encompasses the new capital program as well as the operating balance. A positive fiscal balance means funds are available for investment or debt reduction. A net operating balance is total revenues less total expenses.

## Land rich duty

A State tax on corporations that are considered rich in land holdings: their Queensland land holdings are valued at \$1 million or more, or the value of all their land holdings, wherever they are, represent 60 per cent or more of the value of all their property.

## Land tax

A State tax on freehold land assessed on the taxable value of an owner's total land holdings.

## Machinery of Government

Usually refers to changes to Government departments or agencies, often after an election. Can involve creating or abolishing departments or moving functions from one department to another.

## Payroll tax

A State tax paid if a company pays more than \$1 million per year in taxable wages. From 1 July 2012 the threshold rises to \$1.1 million and will continue to increase by \$100,000 each year until it reaches \$1.6 million on 1 July 2017.

## Productivity

A measure of the efficiency with which an economy transforms inputs (such as labour and capital) into outputs (such as goods and services). Productivity growth means being able to produce more goods and services from the same quantity of inputs. May drive improvements in real incomes and living standards.

## Project Assurance framework

Whole-of-Government approach to assessing projects at critical stages in their lifecycle, to ensure project management is undertaken effectively and delivers value for money.

## Queensland Competition Authority

Independent statutory authority created out of a national approach to competition policy. Provides independent, objective appraisal of issues such as significant government business activities which compete with the private sector, Government-owned monopolies and privately owned water monopolies, and accessibility of essential infrastructure. Now includes the Office of Best Practice Regulation.

## SPER

State Penalties Enforcement Registry. Responsible for collecting and enforcing unpaid infringement notice fines, court ordered monetary fines and offender recovery orders issued in Queensland. Now part of the Office of State Revenue.

## Supply chain

System or 'chain' incorporating organisations, people, technology, activities, information and resources involved in moving a product or service from supplier through to customer. Supply chain activities transform resources, materials, components and intellectual property into services, minimally transformed or finished products which are delivered to the end customer.

## Value for Money framework

Comprehensive set of procedures used by the Queensland Government to evaluate options for delivering infrastructure projects and identify the most appropriate option. Provides basis for implementing Queensland's policy on public private partnerships.

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Help us improve our annual report by sharing your feedback with us.

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