# Financial statements

## Foreword

Queensland Treasury'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.

In addition, Queensland Treasury (Treasury) administers transactions and balances in a trust or fiduciary capacity. These are identified in notes 50–52.

Queensland Treasury and Queensland Treasury Holdings Pty Ltd (QTH) are controlled by the State of Queensland which is the ultimate parent entity.

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

1 William St
BRISBANE QLD 4000

| | | Consolidated Entity | | Parent Entity | | | |
|---|---|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2019 | 2019 | 2018 |
| | | Actual | Actual | Actual | Published Budget | Budget Variance* | Actual |
| | Notes | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Income from continuing operations** | | | | | | | |
| Appropriation revenue | 3 | 241,390 | 254,790 | 241,390 | 247,646 | (6,256) | 254,790 |
| User charges and fees | 4 | 9,518 | 18,051 | 9,518 | 8,839 | 679 | 18,051 |
| Grants and other contributions | 5 | 138 | 50,802 | 138 | .. | 138 | 50,802 |
| Interest revenue | 6 | 11,097 | 15,685 | 205 | .. | 205 | .. |
| Dividends received | | 13,457 | 12,578 | .. | .. | .. | .. |
| Other revenue | | 6,242 | 1,499 | 3,893 | 480 | 3,413 | 1,118 |
| **Total revenue** | | 281,842 | 353,405 | 255,144 | 256,965 | (1,821) | 324,761 |
| Gain/(loss) on sale/fair value movement of investments | 7 | 77,679 | (56,574) | 9,958 | .. | 9,958 | .. |
| **Total income from continuing operations** | | 359,521 | 296,831 | 265,102 | 256,965 | 8,137 | 324,761 |
| **Expenses from continuing operations** | | | | | | | |
| Employee expenses | 8 | 110,675 | 156,349 | 110,675 | 121,383 | (10,708) | 156,349 |
| Supplies and services | 9 | 111,570 | 130,461 | 111,570 | 120,015 | (8,445) | 130,461 |
| Grants and subsidies | 10 | 7,548 | 10,979 | 7,548 | 2,822 | 4,726 | 10,979 |
| Depreciation and amortisation | | 3,548 | 2,757 | 3,548 | 8,698 | (5,150) | 2,757 |
| Borrowing costs | | 5,683 | 6,102 | .. | .. | .. | .. |
| Other expenses | 11 | 32,625 | 25,295 | 31,536 | 4,047 | 27,489 | 24,215 |
| **Total expenses from continuing operations before tax** | | 271,649 | 331,943 | 264,877 | 256,965 | 7,912 | 324,761 |
| **Operating result from continuing operations before income tax expense** | | 87,872 | (35,112) | 225 | .. | 225 | .. |
| Income tax expense/(benefit) | 12 | 28,089 | (12,523) | .. | .. | .. | .. |
| **Operating result for the year** | | 59,783 | (22,589) | 225 | .. | 225 | .. |
| **Total comprehensive income** | | 59,783 | (22,589) | 225 | .. | 225 | .. |

* An explanation of major variances is included at Note 28.

The accompanying notes form part of these statements.

| | | Notes | Consolidated Entity 2019 Actual $'000 | Consolidated Entity 2018 Actual $'000 | Parent Entity 2019 Actual $'000 | Parent Entity 2019 Published Budget $'000 | Parent Entity 2019 Budget Variance* $'000 | Parent Entity 2018 Actual $'000 |
|---|---|---|---|---|---|---|---|---|
| **Current assets** | | | | | | | | |
| | Cash and cash equivalents | 13 | 194,887 | 120,270 | 101,297 | 11,780 | 89,517 | 37,247 |
| | Receivables | 14 | 12,043 | 12,812 | 5,751 | 5,644 | 107 | 7,004 |
| | Lease receivables | 15 | 8,570 | 8,665 | .. | .. | .. | .. |
| | Other financial assets | 16 | 296,601 | 237,830 | .. | .. | .. | .. |
| | Other assets | | 5,580 | 3,274 | 5,289 | 3,083 | 2,206 | 2,993 |
| **Total current assets** | | | 517,681 | 382,851 | 112,337 | 20,507 | 91,830 | 47,244 |
| **Non-current assets** | | | | | | | | |
| | Receivables | 14 | 38,165 | 94,440 | .. | .. | .. | .. |
| | Lease receivables | 15 | 104,391 | 112,961 | .. | .. | .. | .. |
| | Other financial assets | 16 | 133,471 | 46,463 | 56,638 | 66,832 | (10,194) | 46,463 |
| | Property, plant and equipment | | 63 | 89 | 63 | 29 | 34 | 89 |
| | Intangibles | 17 | 23,265 | 19,783 | 23,265 | 13,551 | 9,714 | 19,783 |
| **Total non-current assets** | | | 299,355 | 273,736 | 79,966 | 80,412 | (446) | 66,335 |
| **Total assets** | | | 817,036 | 656,587 | 192,303 | 100,919 | 91,384 | 113,579 |
| **Current liabilities** | | | | | | | | |
| | Payables | 18 | 102,360 | 39,916 | 98,800 | 10,357 | 88,443 | 39,455 |
| | Accrued employee benefits | | 4,717 | 4,799 | 4,717 | 4,479 | 238 | 4,799 |
| | Other current liabilities | 19 | 417 | 539 | 67 | 273 | (206) | 197 |
| | Interest bearing liabilities | 21 | 8,570 | 8,665 | .. | .. | .. | .. |
| **Total current liabilities** | | | 116,064 | 53,919 | 103,584 | 15,109 | 88,475 | 44,451 |
| **Non-current liabilities** | | | | | | | | |
| | Payables | 18 | 7,513 | 4,974 | 7,513 | 4,905 | 2,608 | 4,974 |
| | Other non current liabilities | 19 | 1,694 | 2,039 | .. | .. | .. | .. |
| | Deferred tax liabilities | 20 | 33,808 | 8,944 | .. | .. | .. | .. |
| | Interest bearing liabilities | 21 | 104,391 | 112,961 | .. | .. | .. | .. |
| **Total non-current liabilities** | | | 147,406 | 128,918 | 7,513 | 4,905 | 2,608 | 4,974 |
| **Total liabilities** | | | 263,470 | 182,837 | 111,097 | 20,014 | 91,083 | 49,425 |
| **Net assets** | | | 553,566 | 473,750 | 81,206 | 80,905 | 301 | 64,154 |
| **Equity** | | | | | | | | |
| | Accumulated surplus | | 437,508 | 333,704 | 59,561 | 19,966 | 39,595 | 18,521 |
| | Contributed equity | | 116,058 | 140,046 | 21,645 | 60,939 | (39,294) | 45,633 |
| **Total equity** | | | 553,566 | 473,750 | 81,206 | 80,905 | 301 | 64,154 |

* An explanation of major variances is included at Note 28.

The accompanying notes form part of these statements.

| | Notes | Consolidated Entity 2019 $'000 | Consolidated Entity 2018 $'000 | Parent Entity 2019 $'000 | Parent Entity 2018 $'000 |
|---|---|---|---|---|---|
| **Accumulated surplus** | | | | | |
| Balance 1 July | | 333,704 | 366,293 | 18,521 | 18,521 |
| Adjustment to opening balance - transition to AASB 9 | | 55,984 | | 40,815 | |
| Operating result from continuing operations | | 59,784 | (22,589) | 225 | .. |
| Dividend paid – Type A shareholders | | (11,964) | (10,000) | .. | .. |
| Balance 30 June | | 437,508 | 333,704 | 59,561 | 18,521 |
| **Contributed equity** | | | | | |
| Balance 1 July | | 140,046 | 137,541 | 45,633 | 43,128 |
| Transactions with owners as owners: | | | | | |
| Appropriated equity injections | 3 | 51,644 | 37,529 | 51,644 | 37,529 |
| Appropriated equity withdrawals | 3 | (4,425) | (20,733) | (4,425) | (20,733) |
| Non appropriation equity withdrawal | | (71,207) | (3,691) | (71,207) | (3,691) |
| Net assets transferred in/(out) - Machinery of Government, (Office of Industrial Relations)* | | .. | (10,600) | .. | (10,600) |
| Balance 30 June | | 116,058 | 140,046 | 21,645 | 45,633 |
| **Total equity** | | 553,566 | 473,750 | 81,206 | 64,154 |

* Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland state public sector entities as a result of machinery-of-government (MoG) changes are adjusted to 'Contributed equity' in accordance with Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities. Equity adjustments are similarly designated, refer note 2(c).

The accompanying notes form part of these statements.

Queensland Treasury
Controlled Statement of Cash Flows
for the year ended 30 June 2019

| | | Consolidated Entity | | Parent Entity | | | |
|---|---|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2019 | 2019 | 2018 |
| | | Actual | Actual | Actual | Published Budget | Budget Variance* | Actual |
| | Notes | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from operating activities** | | | | | | | |
| ***Inflows*** | | | | | | | |
| Appropriation receipts | | 222,692 | 238,846 | 222,692 | 245,941 | (23,249) | 238,846 |
| Surety receipts from Financial Provisioning Scheme | | 52,548 | .. | 52,548 | .. | 52,548 | .. |
| Grants and other contributions | | .. | 50,663 | .. | .. | .. | 50,663 |
| User charges and fees | | 11,250 | 23,630 | 11,202 | 13,662 | (2,460) | 23,582 |
| GST input tax credits from Australian Taxation Office (ATO) | | 14,245 | 13,731 | 13,327 | .. | 13,327 | 13,007 |
| Dividends received | | 13,457 | 12,578 | .. | .. | .. | .. |
| Interest received | | 8,089 | 7,990 | 134 | .. | 134 | .. |
| Other | | 3,892 | 1,122 | 3,892 | 6,684 | (2,792) | 1,122 |
| ***Outflows*** | | | | | | | |
| Employee expenses | | (110,983) | (157,529) | (110,983) | (121,383) | 10,400 | (157,529) |
| Supplies and services | | (131,141) | (132,918) | (130,082) | (124,785) | (5,297) | (131,858) |
| Grants and subsidies | | (7,548) | (10,979) | (7,548) | (2,822) | (4,726) | (10,979) |
| GST remitted to ATO | | (1,436) | (2,028) | (713) | .. | (713) | (1,304) |
| Interest paid | | (5,683) | (6,102) | .. | .. | .. | .. |
| Income tax paid | | (2,453) | (3,045) | .. | .. | .. | .. |
| Other | | (3,391) | (5,006) | (3,391) | (8,870) | 5,479 | (5,006) |
| **Net cash provided by/(used in) operating activities** | | 63,538 | 30,953 | 51,078 | 8,427 | 42,651 | 20,544 |
| **Cash flows from investing activities** | | | | | | | |
| ***Inflows*** | | | | | | | |
| Proceeds from sale of land | | 23,036 | .. | .. | .. | .. | .. |
| Lease payments received | | 1,351 | 1,288 | .. | .. | .. | .. |
| Proceeds from investments | | 66,597 | 5,500 | 60,597 | .. | 60,597 | .. |
| Novation payments received | | 7,314 | 7,472 | .. | .. | .. | .. |
| ***Outflows*** | | | | | | | |
| Payments for property, plant and equipment | | .. | (312) | .. | .. | .. | (312) |
| Payment for partial surrender of long-term lease | | (18,965) | .. | .. | .. | .. | .. |
| Payments for investments | | (20,000) | (20,000) | (20,000) | (20,000) | .. | (20,000) |
| Payments for intangibles | | (7,002) | (13,542) | (7,002) | (6,125) | (877) | (13,542) |
| **Net cash provided by/(used in) investing activities** | | 52,331 | (19,594) | 33,595 | (26,125) | 59,720 | (33,854) |
| **Cash flows from financing activities** | | | | | | | |
| ***Inflows*** | | | | | | | |
| Equity injections | | 51,644 | 37,529 | 51,644 | 31,587 | 20,057 | 37,529 |
| ***Outflows*** | | | | | | | |
| Repayment of borrowings | | (8,665) | (8,759) | .. | .. | .. | .. |
| Dividend paid | | (11,964) | (10,000) | .. | .. | .. | .. |
| Equity withdrawals | | (72,267) | (24,424) | (72,267) | (14,178) | (58,089) | (24,424) |
| **Net cash provided by/(used in) financing activities** | | (41,252) | (5,654) | (20,623) | 17,409 | (38,032) | 13,105 |
| Net increase/(decrease) in cash and cash equivalents | | 74,617 | 5,705 | 64,050 | (289) | 64,339 | (205) |
| Cash and cash equivalents at beginning of financial year | | 120,270 | 130,229 | 37,247 | 12,069 | 25,178 | 53,116 |
| Cash transfers from restructure | | .. | (15,664) | .. | .. | .. | (15,664) |
| **Cash and cash equivalents at end of financial year** | 13 | 194,887 | 120,270 | 101,297 | 11,780 | 89,517 | 37,247 |

* An explanation of major variances is included at Note 28.

The accompanying notes form part of these statements.

| | Consolidated Entity 2019 $'000 | Consolidated Entity 2018 $'000 | Parent Entity 2019 $'000 | Parent Entity 2018 $'000 |
|---|---|---|---|---|
| **Operating surplus/(deficit)** | 59,783 | (22,589) | 225 | .. |
| Impairment expense | .. | 370 | .. | 370 |
| (Gain)/loss on shares – unrealised | (67,721) | 56,574 | .. | .. |
| (Gain)/loss on shares – realised | (13,323) | .. | (13,323) | .. |
| Interest – loans and receivables | (2,923) | (7,687) | .. | .. |
| Net proceeds on disposal of land | (4,071) | .. | .. | .. |
| Amortisation of unearned income | (338) | (333) | .. | .. |
| Depreciation/amortisation expense | 3,548 | 2,757 | 3,548 | 2,757 |
| **Change in assets and liabilities:** | | | | |
| (Increase)/decrease in receivables | 1,949 | 2,926 | 1,253 | 2,242 |
| (Increase)/decrease in other assets | (2,296) | 972 | (2,296) | 932 |
| (Increase)/decrease in payables | 61,883 | 7,524 | 61,883 | 7,524 |
| (Increase)/decrease in accrued employee benefits | (82) | (4,311) | (82) | (4,311) |
| (Increase)/decrease in other current liabilities | 1,493 | (911) | (130) | (198) |
| Increase/(decrease) in tax provision | 772 | 25 | .. | .. |
| Increase/(decrease) in deferred tax liability | 24,864 | (15,592) | .. | .. |
| Adjustment to various assets and liabilities due to MoG (non-cash items) | .. | 11,228 | .. | 11,228 |
| **Net cash provided by/(used in) operating activities** | 63,538 | 30,953 | 51,078 | 20,544 |

**Controlled Reconciliation of Liabilities Arising from Financing Activities**
**as at 30 June 2019**

| | Notes | Consolidated Entity^ | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Non-cash changes | | | Cashflows | | |
| | | Closing balance 2018 | Transfers to/(from) other Queensland government entities | New leases acquired | Other | Cash received | Cash repayments | Closing balance 2019 |
| | | $'000 | $'000 | $'000 | | $'000 | $'000 | $'000 |
| **Current/non-current liabilities** | | | | | | | | |
| Interest bearing liabilities | 21 | 121,626 | .. | .. | .. | .. | (8,665) | 112,961 |
| | | 121,626 | .. | .. | .. | .. | (8,665) | 112,961 |

^There are no liabilities arising from Financing Activities in the Parent Entity accounts.

**Controlled Reconciliation of Liabilities Arising from Financing Activities**
**as at 30 June 2018**

| | Notes | Consolidated Entity^ | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Non-cash changes | | | Cashflows | | |
| | | Closing balance 2017 | Transfers to/(from) other Queensland government entities | New leases acquired | Other | Cash received | Cash repayments | Closing balance 2018 |
| | | $'000 | $'000 | $'000 | | $'000 | $'000 | $'000 |
| **Current/non-current liabilities** | | | | | | | | |
| Interest bearing liabilities | 21 | 130,385 | .. | .. | .. | .. | (8,759) | 121,626 |
| | | 130,385 | .. | .. | .. | .. | (8,759) | 121,626 |

^There are no liabilities arising from financing activities in the Parent Entity accounts.

Queensland Treasury
Controlled Statement of Comprehensive Income by Major Departmental Services
for the year ended 30 June 2019

| | Economic and Fiscal Coordination | | Agency Performance | | Commercial Services | | Revenue Management | | Industrial Relations * | | General – not attributed** | | Inter-service/ activity eliminations | | Queensland Treasury | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Income from continuing operations *** | | | | | | | | | | | | | | | | |
| **Revenue** | | | | | | | | | | | | | | | | |
| Appropriation revenue | 16,735 | 38,789 | 16,369 | 16,965 | 36,733 | 27,113 | 168,063 | 151,493 | .. | 16,853 | 3,490 | 3,577 | .. | .. | 241,390 | 254,790 |
| User charges and fees | 5,539 | 5,986 | 407 | 330 | 845 | 1,942 | 4,045 | 3,879 | .. | 6,957 | 244 | 617 | (1,562) | (1,660) | 9,518 | 18,051 |
| Grants and other contributions | 25 | 25 | 12 | 11 | 15 | 10 | 79 | 86 | .. | 50,663 | 7 | 7 | .. | .. | 138 | 50,802 |
| Interest Revenue | .. | .. | .. | .. | 205 | .. | .. | .. | .. | .. | .. | .. | .. | .. | 205 | .. |
| Other revenue | 2,988 | 65 | 43 | 36 | 31 | 47 | 816 | 653 | .. | 283 | 15 | 34 | .. | .. | 3,893 | 1,118 |
| **Total revenue** | 25,287 | 44,865 | 16,831 | 17,342 | 37,829 | 29,112 | 173,003 | 156,111 | .. | 74,756 | 3,756 | 4,235 | (1,562) | (1,660) | 255,144 | 324,761 |
| Gain/(loss) on sale/fair value movement of investments | 13,323 | .. | .. | .. | (3,365) | .. | .. | .. | .. | .. | .. | .. | .. | .. | 9,958 | .. |
| **Total income from continuing operations** | 38,610 | 44,865 | 16,831 | 17,342 | 34,464 | 29,112 | 173,003 | 156,111 | .. | 74,756 | 3,756 | 4,235 | (1,562) | (1,660) | 265,102 | 324,761 |
| **Expenses from continuing operations *** | | | | | | | | | | | | | | | | |
| Employee expenses | 22,914 | 22,456 | 11,810 | 10,368 | 10,636 | 10,775 | 63,874 | 61,604 | .. | 49,274 | 1,441 | 1,881 | .. | (9) | 110,675 | 156,349 |
| Supplies and services | 11,159 | 13,605 | 3,868 | 3,889 | 13,561 | 11,575 | 82,554 | 81,731 | .. | 19,423 | 1,990 | 1,889 | (1,562) | (1,651) | 111,570 | 130,461 |
| Grants and subsidies | 38 | 3,707 | 18 | 17 | 7,358 | 2,046 | 123 | 124 | .. | 5,075 | 11 | 10 | .. | .. | 7,548 | 10,979 |
| Depreciation and amortisation | 155 | 227 | 73 | 121 | 161 | 159 | 3,114 | 1,403 | .. | 732 | 45 | 115 | .. | .. | 3,548 | 2,757 |
| Other expenses | 4,335 | 4,870 | 1,056 | 2,947 | 2,538 | 4,557 | 23,338 | 11,249 | .. | 252 | 269 | 340 | .. | .. | 31,536 | 24,215 |
| **Total expenses from continuing operations** | 38,601 | 44,865 | 16,825 | 17,342 | 34,254 | 29,112 | 173,003 | 156,111 | .. | 74,756 | 3,756 | 4,235 | (1,562) | (1,660) | 264,877 | 324,761 |
| **Total comprehensive income** | 9 | .. | 6 | .. | 210 | .. | .. | .. | .. | .. | .. | .. | .. | .. | 225 | .. |

* Allocation of income and expenses to corporate services (disclosure only). Industrial Relations is no longer a continuing operation of Treasury:

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Income | 7,326 | 6,819 | 3,579 | 3,133 | 3,442 | 2,978 | 23,754 | 19,249 | .. | 39 | 2,143 | 2,094 | .. | .. | 40,244 | 34,312 |
| Expenses | 7,326 | 6,819 | 3,579 | 3,133 | 3,442 | 2,978 | 23,754 | 19,249 | .. | 39 | 2,143 | 2,094 | .. | .. | 40,244 | 34,312 |

** 2019 and 2018 include corporate support allocated to Motor Accident Insurance Commission, Nominal Defendant and National Injury Insurance Agency Queensland (NIIAQ).

## Accounting policy – Allocation of revenues and expenses from ordinary activities of corporate services

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

Queensland Treasury
Controlled Statement of Assets and Liabilities by Major Departmental Services
as at 30 June 2019

| | Economic and Fiscal Coordination* | | Agency Performance* | | Commercial Services* | | Revenue Management* | | General – not attributed** | | Queensland Treasury | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| **Current assets** | | | | | | | | | | | | |
| Cash assets | 30,078 | 21,741 | 881 | 1,203 | 54,855 | 1,886 | 9,750 | 12,098 | 5,733 | 318 | 101,297 | 37,247 |
| Receivable | 1,136 | 1,958 | 145 | 91 | 529 | 1,778 | 2,080 | 1,922 | 1,860 | 1,255 | 5,751 | 7,004 |
| Other assets | 140 | 44 | .. | .. | .. | .. | 3,473 | 2,254 | 1,677 | 694 | 5,289 | 2,993 |
| **Total current assets** | 31,354 | 23,743 | 1,026 | 1,294 | 55,384 | 3,664 | 15,303 | 16,274 | 9,270 | 2,269 | 112,337 | 47,244 |
| **Non-current assets** | | | | | | | | | | | | |
| Property, plant and equipment | 2 | 5 | .. | .. | .. | .. | 61 | 84 | .. | .. | 63 | 89 |
| Intangible assets | .. | .. | .. | .. | 2,406 | 980 | 19,400 | 16,510 | 1,459 | 2,293 | 23,265 | 19,783 |
| Other Financial assets | .. | .. | .. | .. | 56,638 | 39,630 | .. | 6,833 | .. | .. | 56,638 | 46,463 |
| **Total non-current assets** | 2 | 5 | .. | .. | 59,044 | 40,610 | 19,461 | 23,427 | 1,459 | 2,293 | 79,966 | 66,335 |
| **Total assets** | 31,356 | 23,748 | 1,026 | 1,294 | 114,428 | 44,274 | 34,764 | 39,701 | 10,729 | 4,562 | 192,303 | 113,579 |
| **Current liabilities** | | | | | | | | | | | | |
| Payables | 28,938 | 19,751 | 56 | 30 | 59,048 | 2,835 | 7,220 | 12,167 | 3,538 | 4,672 | 98,800 | 39,455 |
| Accrued employee benefits | 761 | 777 | 389 | 352 | 375 | 464 | 2,072 | 2,082 | 1,120 | 1,124 | 4,717 | 4,799 |
| Other current liabilities | .. | 197 | .. | .. | .. | .. | .. | .. | 67 | .. | 67 | 197 |
| **Total current liabilities** | 29,699 | 20,725 | 445 | 382 | 59,423 | 3,299 | 9,292 | 14,249 | 4,725 | 5,796 | 103,584 | 44,451 |
| **Non-current liabilities** | | | | | | | | | | | | |
| Payables | .. | .. | .. | .. | .. | .. | .. | .. | 7,513 | 4,974 | 7,513 | 4,974 |
| **Total non-current liabilities** | .. | .. | .. | .. | .. | .. | .. | .. | 7,513 | 4,974 | 7,513 | 4,974 |
| **Total liabilities** | 29,699 | 20,725 | 445 | 382 | 59,423 | 3,299 | 9,292 | 14,249 | 12,238 | 10,770 | 111,097 | 49,425 |
| **Net assets** | 1,657 | 3,023 | 581 | 912 | 55,005 | 40,975 | 25,472 | 25,452 | (1,509) | (6,208) | 81,206 | 64,154 |

* The department has systems in place to allocate assets and liabilities by major departmental services.

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

## 1 Basis of financial statement preparation

**(a) Statement of compliance**

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

Treasury is a not-for-profit entity and has prepared these general purpose financial statements in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities. In addition, the financial statements comply with the Treasurer's Financial Reporting Requirements for the year beginning 1 July 2018 and other authoritative pronouncements.

**(b) The reporting entity**

Treasury is a Queensland Government department established under the Public Service Act 2008 and controlled by the State of Queensland, which is the ultimate parent.

For financial reporting purposes, Treasury is a department in terms of the *Financial Accountability Act 2009* and is subsequently consolidated into the Report on State Finances of the Queensland Government.

Treasury as an economic entity consists of the parent entity together with its controlled entity, QTH. To provide enhanced disclosure, Treasury has adopted the principles outlined in Australian Accounting Standard AASB 10 Consolidated Financial Statements and AASB 12 Disclosure of Interests in Other Entities. This approach is considered appropriate as it reflects the relationship between Treasury's core business activities and those of its controlled entities. In the process of reporting on Treasury as a single economic entity, all transactions and balances internal to the economic entity have been eliminated in full. The consolidated financial statements include the value of all revenues, expenses, assets, liabilities and equity of Treasury and the entities that it controls. Details of Treasury's controlled entities are disclosed in note 24.

The accrual basis of accounting has been adopted for both controlled transactions and balances, and those administered by Treasury on a whole-of-government basis (except for the Statement of Cash Flow, which is prepared on a cash basis). Except when stated, the historical cost convention is used.

**(c) Controlled and Administered transactions and balances**

Transactions and balances are controlled by Treasury where they can be deployed for the achievement of departmental objectives.

Treasury administers, but does not control, certain resources on behalf of the government such as the borrowing and cash arrangements, collection of Federal Government grants, state taxes, royalties and State Penalties Enforcement Registry (SPER) fines. In doing so, it is responsible and accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of Treasury's objectives.

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

If not otherwise stated the controlled accounting policies also apply to administered.

**(d) Licence fee receivable**

The QTH consolidated entity carries licence fee receivable as a financial asset at fair value through profit and loss. The fair value of licence fee receivable is based on a revenue sharing arrangement whereby Brisbane Port Holdings Pty Ltd (BPH), a controlled entity of QTH was to receive a percentage of revenue above a hurdle amount from the Port Manager, Port of Brisbane Pty Ltd (PBPL), for a period of 35 years. In 2011, the QTH consolidated entity made an upfront payment of $121 million to BPH for the rights to these cash flows using funds provided from Queensland Treasury Corporation (QTC). The upfront payment was based on assumed volume growth for the Port of Brisbane using macroeconomic forecasts combined with analysis of local market and supply chain constraints. The licence fee which is payable up to 2050 has been valued using the present discounted value of the future expected cash flows. These cash flows are discounted at a rate which takes into account the risks and uncertainties which exposes the QTH consolidated entity to volatility over future revenues and therefore the valuation of the investment. At each balance date the receivable is reviewed incorporating current projections of trade volumes and price growth. This method is used to estimate the fair value as there is no active market for a receivable of this type (refer note 14 and 16).

**(e) Australian Government Taxes**

Treasury is a State body as defined under the *Income Tax Assessment Act 1936* and is 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 ATO are recognised and accrued.

QTH is subject to the National Tax Equivalents Regime (NTER), and payments are made to the State Treasurer (Consolidated Fund) equivalent to the amount of Commonwealth income tax.

The QTH controlled entity falls under the Taxation of Financial Arrangements (TOFA) legislation and applies the default realisation and accrual methods.

**1 Basis of financial statement preparation (continued)**

**(f) 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 reflects the audited 2017-18 financial statements.

**(g) Issuance of financial statements**

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

**(h) Accounting estimates and judgements**

Estimates and assumptions that have a potential significant effect are outlined in the following notes and categories on the face of the statements:

- notes 14 and 40 (Allowance for impairment)
- note 16 (Allowance for impairment and Fair Value)
- notes 23 and 45 (Contingencies)
- note 27 (g) (Financial Instruments Fair Value)
- note 46 (e) (Financial Instruments Fair Value)

Further, the matters covered in each of those notes necessarily involve estimation uncertainty with the potential to materially impact on the carrying amount of Treasury's assets and liabilities in the next reporting period. Reference should be made to the respective notes for more information.

**(i) First year application of new accounting standards or change in accounting policy**

**AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014)**

Treasury applied AASB 9 *Financial Instruments* for the first time in 2018-19. Comparative information for 2017-18 has not been restated and continue to be reported under AASB 139 *Financial Instruments*: *Recognition and Measurement*. The adjustment to the accounts on initial application are recognised in the opening accumulated surplus at 1 July 2018. The nature and effect of the changes as a result of the adoption of this new accounting standard are described below.

*1.) Classification and measurement*

Under AASB 9, debt instruments are categorised into one of three measurement bases – amortised cost, fair value through profit and loss (FVTPL), or fair value through other comprehensive income (FVOCI). The classification is based on two criteria:

- whether the financial asset's contractual cash flows represent 'solely payments of principal and interest', and
- the department's business model for managing the assets

A summary of the changes in the classification and measurement categories from AASB 139 to AASB 9 is shown below:

| AASB 139 measurement category | Balances at 30 June 2018 $'000 | AASB 9 measurement category (Balances at 1 July 2018) Amortised Cost $'000 | Fair value through OCI $'000 | Fair value through Profit and Loss $'000 |
|---|---|---|---|---|
| Loans and receivable | | | | |
| - Licence fee receivable | 52,714 | .. | .. | 67,883 |
| Equity investments at cost | | | | |
| - Investment in shares held in unlisted company | 6,833 | .. | .. | 47,275 |
| - QIC Investment - Business Development Fund | 39,630 | .. | .. | 40,003 |
| | 99,177 | .. | .. | 155,161 |

QTH's licence fee receivable which is disclosed in Note 16 was classified as Loans and Receivables as at 30 June 2018 (under AASB 139) and were measured at amortised cost. These receivables are recognised at FVTPL beginning 1 July 2018 as the contractual cash flows are not solely for payments of principal and interest. The adjustment in opening accumulated surplus is the difference between the amortised cost and fair value, calculated as the discounted present value of the estimated cash flows as at 1 July 2018.

**1 Basis of financial statement preparation (continued)**

**(i) First year application of new accounting standards or change in Accounting policy (continued)**

| | 2018 $'000 |
|---|---|
| **Consolidated entity** | |
| Licence fee receivable (gross) - 30 June 2018 under AASB 139 | 121,249 |
| Interest revenue - accumulated | 67,318 |
| Impairment expense - accumulated | (135,853) |
| Licence fee receivable (net) as at 30 June 2018, under AASB 139 | 52,714 |
| Amount recognised in opening accumulated surplus | 15,169 |
| Licence fee receivable (net) as at 1 July 2018, under AASB 9 | 67,883 |

Equity instruments within the scope of AASB 9 are measured at FVTPL, with the exception that an equity instrument not held for trading can be irrevocably designated at FVOCI.

Treasury's equity investment includes investment in shares held in an unlisted company and investment in the Business Development Fund (BDF) as disclosed in Note 16. The equity investments were carried at cost under AASB 139 including impairment for BDF. Treasury has recognised the investments at FVTPL beginning 1 July 2018. Treasury intends to hold on to the investment in the BDF for the foreseeable future. The adjustment arising from the difference between the cost and fair value as at 1 July 2018 are presented below:

| Financial Assets | Balance (gross) 30 June 2018 under AASB 139 | Allowance for impairment | Balance (net) 30 June 2018 under AASB 139 | Adjustment recognised in opening accumulated surplus | Balance, 1 July 2018 under AASB 9 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Investments in shares held in unlisted company | 6,833 | .. | 6,833 | 40,442 | 47,275 |
| QIC Investment - Business Development Fund | 40,000 | (370) | 39,630 | 373 | 40,003 |
| | 46,833 | (370) | 46,463 | 40,815 | 87,278 |

2.) Impairment

AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss approach, replacing AASB 139's incurred loss approach. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at FVTPL.

On adoption of AASB 9's new impairment model, Treasury has recognised a reduction in the impairment losses of $6.512 million relating to administered receivables which resulted in an increase in the opening net administered assets. Below is a reconciliation of the ending impairment allowance under AASB 139 to the opening loss allowance under AASB 9.

| AASB 139 measurement category | AASB 9 measurement category | Impairment allowance 30 June 2018 | Re-measurement | Loss allowance 1 July 2018 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Loans and receivables | | | | |
| - Debtors (Administered) | Amortised Cost | (390,258) | 6,512 | (383,746) |
| | | (390,258) | 6,512 | (383,746) |

**1 Basis of financial statement preparation (continued)**

**(j) Future impact of Accounting Standards not yet effective**

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

**AASB 1058 *Income of Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers***

These standards will first apply to Treasury from its financial statements for 2019-20. Treasury has reviewed the impact of AASB 15 and AASB 1058 and there will be no significant change in the revenue recognition for existing revenues. Majority of the revenues in the controlled book will be recognised under AASB 15 and will continue to be recognised as revenue once control has passed to the customer. Administered revenue such as taxes, fees, fines and royalties are recognised under legislative arrangements which falls within the scope of AASB 1058 (refer to Note 30 and 31 for revenue recognition criteria). Appropriations revenue in the controlled and administered books are recognised when received under AASB 1058.

Treasury will consider new disclosure requirements under AASB 1058 applicable to administered taxes and fines income which requires inclusion of additional commentary on how disaggregated income is affected by economic factors.

**AASB 16 *Leases***

This standard will first apply to Treasury from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

*Impact for Lessees*

Under AASB 16 the majority of the operating leases will be reported on the statement of financial position as right-of-use assets (representing rights to use the underlying leased asset) and lease liabilities (representing the obligation to make lease payments) unless the lease has a term of less than 12 months and the underlying assets are of low value.

Treasury has completed its review of the impact of adoption of AASB 16 on the statement of financial position and statement of comprehensive income. Treasury's current lease commitments under AASB 16 are exempt as they have substantial substitution rights, are low value or short-term leases exempted under AASB 16.

During the 2018-19 financial year, Treasury held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO). Lease payments under this arrangement totalled $11.495 million per annum. Treasury had been advised by DHPW and Treasury Financial Management Division that effective 1 July 2019, amendments to the framework agreement that govern QGAO will result in the arrangements being exempt under AASB 16. This is due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation. From 2019-20 onwards, costs for these services will continue to be recognised as supplies and services expense when incurred.

Assets and liabilities relating to the straight-lining of existing operating leases shall be derecognised against opening accumulated surplus on transition. Outstanding liabilities relating to straight-lining of leases for Treasury amounting to $7.513 million (*refer Note 18)* will be derecognised as at 1 July 2019 against opening accumulated surplus.

Treasury has also been advised that effective 1 July 2019, motor vehicles provided under DHPW's QFleet program will be exempt from lease accounting under AASB 16. This is due to DHPW holding substantive substitution rights for vehicles provided under the scheme. From 2019-20 onward, costs for these services will continue to be recognised as supplies and services expense when incurred.

The QTH consolidated entity has conducted a review of the impact of adopting AASB 16 on the balance sheet and statement of comprehensive income. The results of this review are being assessed with the impacts yet to be agreed.

## 2 Objectives and major activities of the department

Treasury's vision is to grow the Queensland economy and improve the wellbeing of all Queenslanders. It aims to support this through providing the government with trusted, impartial advice on state finances and the economy, innovative revenue and commercial services and support for fair, safe and productive workplaces. This includes managing the state's finances in line with the government's fiscal principles listed in the *Charter of Fiscal Responsibility*.

Treasury's strategic objectives are to:

- enable sustainable growth that supports current and future government objectives
- partner proactively to facilitate better outcomes for the community
- ensure our services are tailored, fit-for-purpose and easy to access
- develop a capable and flexible workforce that can lead in policy development and service delivery

Details on Treasury's departmental service areas can be viewed in the department's Budget Paper 5 – Service Delivery Statements – Treasury, at budget.qld.gov.au/budget-papers/#budget-paper-5

### (a) Major activities of the department

Major activities of the department are detailed on the face of the statements by Major Departmental Services for both controlled and administered items.

The Financial Statements have been aggregated into the following disclosures (refer Notes 1(b) and 1(c) for full details of this aggregation):

1 Controlled
 (a) Treasury (as an entity in its own right and to which the remainder of this financial report refers) – column headed 'Parent Entity'.
 (b) Consolidated (Treasury and its controlled entity QTH and its subsidiaries) – column headed 'Consolidated Entity'.
2 Administered on behalf of whole-of-government – shaded statements and notes.

### (b) New Initiative - Financial Provisioning Scheme

From 1 April 2019, Financial Assurance (now called Financial Provisioning) requirements for resource activities under the *Environmental Protection Act 1994* (EP Act) were replaced with the Financial Provisioning Scheme (Scheme) under the *Mineral and Energy Resource (Financial Provisioning) Act 2018* (MERFP Act). The Scheme will manage the State's financial risk from the potential failure of a resource activity holder of an environmental authority or small scale mining tenure (holder) to meet their rehabilitation and environmental obligations under the EP Act.

The Scheme is administered by the Scheme Manager, a statutory officer supported by Treasury, who is responsible for administering all holders' financial provisioning on behalf of the State of Queensland.

Under the MERFP Act, holders meet their financial provisioning obligation by providing:

- a contribution to the Financial Provisioning Fund (Fund); and/or
- Surety - can be in the form of cash or non-cash (a financial institution undertaking in the forms of bank guarantee or insurance bond)

Under the EP Act, the Administering Authority (Department of Environment and Science) may make a claim against a holder's financial provisioning to the Scheme Manager. Where the claim is properly made, the Scheme Manager will either make arrangements for payments from the Financial Provisioning Fund or realise the surety and transfer the funds to the Administering Authority's designated bank account. No liability is held by Treasury for any rehabilitation obligations.

In April 2019, financial assurance held by the Department of Natural Resources, Mines and Energy and Department of Environment and Science was transferred to the Scheme Manager within Queensland Treasury as below:

- Cash Surety $46.983 million
- Non-cash Surety $8,240.796 million

All balances/transactions relating to the Fund are reported in the Financial Statements.

No risk allocation decisions under the MERFP Act had been completed by the Scheme Manager by 30 June 2019. Therefore, the Financial Provisioning Fund did not receive any assessment fees or contributions in the reporting period.

## 2 Objectives and major activities of the department (continued)

### (b) New Initiative - Financial Provisioning Scheme (continued)

Balances/transactions relating to Surety are reported either in the Financial Statements or disclosed as contingencies.

- Cash surety is reported as Cash asset (refer note 13) with a corresponding Payable to the holders (refer note 18) in the Financial Statements, as the Fund obtains the interest benefit from the cash surety held.
- Non-cash surety is disclosed in the contingency note (refer note 23). Non-cash surety is only redeemable for cash when claims are made. At reporting date, it is not possible to determine the quantum or timing of claims that will be made against the non-cash surety.
- Where a notice to provide surety has been issued and the surety payment is yet to be received from holders, the aggregate surety yet to be received is also disclosed in the contingency note (refer note 23).

### (c) Machinery-of-government changes 2017-18 (not continuing operations of Treasury)

The following transfers, based on the *Administrative Arrangements Order (No.4 2017)* dated 21 December 2017 were made effective on 1 January 2018 and are no longer continuing operations of Treasury. These items are included in the Financial Statements to show the 2017-18 comparatives only:

| | **Transferring area** | **Transferring to/(from)** |
|---|---|---|
| 1 | The Office of Industrial Relations | Department of Education |
| 2 | Employment (Treasury) | Department of Employment, Small Business and Training |
| 3 | Market Led Proposals (Treasury) | Department of State Development, Manufacturing, Infrastructure and Planning |
| 4 | Cities Transformation Taskforce | (Former Department of Infrastructure, Local Government and Planning) |

| | Controlled 2017-18 | | | | | Administered 2017-18 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| | 1 | 2 | 3 | 4 | Total | 1 | 2 | 3 | 4 | Total |
| Current assets | | | | | | | | | | |
| Cash assets | 14,959 | 705 | .. | .. | 15,664 | | .. | .. | .. | .. |
| Receivables | 13,942 | 34 | .. | .. | 13,976 | 8,408 | .. | .. | .. | 8,408 |
| Other assets | 974 | .. | .. | .. | 974 | | .. | .. | .. | .. |
| Total current assets | 29,875 | 739 | .. | .. | 30,614 | 8,408 | .. | .. | .. | 8,408 |
| Non-current assets | | | | | | .. | .. | .. | .. | |
| Other financial assets | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Intangible assets | 2,322 | .. | .. | .. | 2,322 | .. | .. | .. | .. | .. |
| Property, plant and equipment | 3,844 | .. | .. | .. | 3,844 | .. | .. | .. | .. | .. |
| Total non-current assets | 6,166 | .. | .. | .. | 6,166 | .. | .. | .. | .. | .. |
| Total assets | 36,041 | 739 | .. | .. | 36,780 | 8,408 | .. | .. | .. | 8,408 |
| Current liabilities | | | | | | | | | | |
| Payables | 6,343 | 677 | .. | .. | 7,020 | 8,408 | .. | .. | .. | 8,408 |
| Accrued employee benefits | 4,568 | 62 | .. | .. | 4,630 | .. | .. | .. | .. | .. |
| Other current liabilities | 13,829 | .. | .. | .. | 13,829 | .. | .. | .. | .. | .. |
| Total current liabilities | 24,740 | 739 | .. | .. | 25,479 | 8,408 | .. | .. | .. | 8,408 |
| Non-current liabilities | | | | | | | | | | |
| Payables | 701 | .. | .. | .. | 701 | .. | .. | .. | .. | .. |
| Total non-current liabilities | 701 | .. | .. | .. | 701 | .. | .. | .. | .. | .. |
| Total liabilities | 25,441 | 739 | .. | .. | 26,180 | 8,408 | .. | .. | .. | 8,408 |
| Net assets | 10,600 | .. | .. | .. | 10,600 | .. | .. | .. | .. | .. |

The decrease in assets of $10.6 million was accounted for as a decrease in contributed equity as disclosed in the Statement of Changes to Equity.
Budgeted appropriation revenue (controlled) of $22.1 million was reallocated from Treasury to the Department of Education ($12.955 million), the Department of Employment, Small Business and Training ($8.080 million) and the Department of State Development, Manufacturing, Infrastructure and Planning ($1.062 million) as part of the machinery-of-government changes. The former Department of Infrastructure, Local Government and Planning reallocated budgeted appropriation revenue of $2.250 million to Treasury for the Cities Transformation Taskforce.

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| **3 Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in the Statement of Comprehensive Income** | | | | |
| Budgeted appropriation revenue | 245,941 | 265,008 | 245,941 | 265,008 |
| Transfer (to)/from other departments | .. | (19,847) | .. | (19,847) |
| Transfer (to)/from other heading | (23,249) | (2,136) | (23,249) | (2,136) |
| Lapsed appropriation revenue | .. | (4,179) | .. | (4,179) |
| **Total appropriation receipts** | 222,692 | 238,846 | 222,692 | 238,846 |
| Less opening balance of appropriation revenue receivable | .. | (703) | .. | (703) |
| Plus non cash MoG transfer of appropriation revenue receivable | .. | 703 | .. | 703 |
| Plus opening balance of deferred appropriation payable | 18,698 | 15,944 | 18,698 | 15,944 |
| Less closing balance of deferred appropriation payable | (28,083) | (18,698) | (28,083) | (18,698) |
| **Net appropriation revenue** | 213,307 | 236,092 | 213,307 | 236,092 |
| Plus deferred appropriation payable to Consolidated Fund | 28,083 | 18,698 | 28,083 | 18,698 |
| **Appropriation revenue recognised in Statement of Comprehensive Income** | 241,390 | 254,790 | 241,390 | 254,790 |
| **Reconciliation of payments from Consolidated Fund to appropriated equity adjustments recognised in contributed equity** | | | | |
| Budgeted equity adjustment appropriation | 22,871 | 14,660 | 22,871 | 14,660 |
| Unforeseen expenditure | .. | .. | .. | .. |
| Transfer (to)/from other heading | 27,713 | 2,136 | 27,713 | 2,136 |
| Total equity adjustment receipts | 50,584 | 16,796 | 50,584 | 16,796 |
| Less closing balance of equity adjustment payable | (3,365) | .. | (3,365) | .. |
| Appropriated equity adjustment recognised in contributed equity | 47,219 | 16,796 | 47,219 | 16,796 |

**Accounting policy – Appropriation revenue**
Appropriations provided under the Annual Appropriation Act are recognised as revenue when received or when approved as an accrual at year end. In some circumstances when approval is granted a deferred appropriation payable is recognised with a corresponding expense at year end.

| | Consolidated Entity 2019 $'000 | Consolidated Entity 2018 $'000 | Parent Entity 2019 $'000 | Parent Entity 2018 $'000 |
|---|---|---|---|---|
| **4 User charges and fees** | | | | |
| Sale of services | 9,508 | 18,028 | 9,508 | 18,028 |
| Other fees | 10 | 23 | 10 | 23 |
| | 9,518 | 18,051 | 9,518 | 18,051 |

**Accounting policy – User charges and fees**
User charges and fees 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 provided and/or the recognition of accrued revenue.

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| **5 Grants and other contributions** | | | | |
| Contributions from Workcover | .. | 44,039 | .. | 44,039 |
| Industry contributions | .. | 6,624 | .. | 6,624 |
| Resources received below fair value | 138 | 139 | 138 | 139 |
| | 138 | 50,802 | 138 | 50,802 |

**Accounting policy – 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 Treasury obtains control over them (control is generally obtained at the time of receipt). Where grants are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding agreements.

**6 Interest revenue**

| | Consolidated 2019 | Consolidated 2018 | Parent 2019 | Parent 2018 |
|---|---|---|---|---|
| Interest – loans and receivables ** | 2,923 | 7,687 | .. | .. |
| Interest – lease receivables * | 5,683 | 6,102 | .. | .. |
| Interest – QTC | 2,286 | 1,896 | .. | .. |
| Interest- Financial Provisioning | 205 | .. | 205 | .. |
| | 11,097 | 15,685 | 205 | .. |

* Relates to interest recognised on QTH Lease receivables by Dalrymple Bay Coal Terminal Holdings (DBCTH) Pty Ltd (refer note 15).

** Relates to interest recognised on QTH financial assets acquired from Brisbane Port Holdings Pty Ltd (BPH) following the long-term lease of the Port of Brisbane (refer note 16).

**Accounting policy – Interest revenue**
Interest revenue is recognised using the effective interest rate and recognised on a proportional basis taking into account interest rates applicable.

Lease income is recognised upfront when substantially all the risks and rewards associated with the asset are transferred to the lessee. Where there are ongoing obligations associated with the asset, lease income is recognised in line with these obligations.

**7 Gain/(loss) on sale/fair value movement of investments**

| | Consolidated 2019 | Consolidated 2018 | Parent 2019 | Parent 2018 |
|---|---|---|---|---|
| Gain/(loss) on shares * | 72,094 | (56,574) | 13,323 | .. |
| Gain/(loss) on fair value movement** | 5,585 | .. | (3,365) | .. |
| | 77,679 | (56,574) | 9,958 | .. |

* Relates to the market movement on remaining shares held by the QTH consolidated entity in Aurizon Holdings Ltd (AZJ) (formerly QR National Limited) recorded at fair value (recognised at the closing listed market price of $5.40 per share (2018: $4.33 per share)). For the Parent Entity, relates to the sale of shares in an unlisted company (Refer Note25).

** Relates to the unrealised fair value movement of the BDF investment and licence fee receivable (Refer Note 16).

| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
|---|---|---|---|---|
| **8 Employee expenses** | | | | |
| Salaries, wages and related - Government employees | 85,166 | 120,872 | 85,166 | 120,872 |
| Annual leave levy | 9,438 | 12,866 | 9,438 | 12,866 |
| Employer contributions - Accumulation schemes | 8,519 | 11,808 | 8,519 | 11,808 |
| Employer contributions - Defined benefit scheme | 2,821 | 4,197 | 2,821 | 4,197 |
| Long service leave levy | 1,798 | 2,547 | 1,798 | 2,547 |
| Other employee related expenses | 1,928 | 2,530 | 1,928 | 2,530 |
| Redundancy payments | 672 | 584 | 672 | 584 |
| Fringe benefits tax expense | 227 | 695 | 227 | 695 |
| Workers' compensation premium | 106 | 250 | 106 | 250 |
| | 110,675 | 156,349 | 110,675 | 156,349 |

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

| | | | | |
|---|---|---|---|---|
| Number of employees: | 948 | 954 | 948 | 954 |

**Accounting policy – Employee expenses**
Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits. Workers' compensation insurance is a consequence of employing staff and is not included in an employee's total remuneration package as employee benefits and are recognised separately as employee related expenses.

**Accounting policy – Wages and salaries**
Salaries and wages expenses are recognised at the current salary rates as it is expected these liabilities will be wholly settled within 12 months of year end.

**Accounting policy – Sick leave**
History indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

***Annual leave***
No provision for annual leave has been recognised in Treasury'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,* under the Annual Leave Central Scheme (ALCS). A levy is made on Treasury 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.

***Long service leave***
Under the Queensland Government's long service leave scheme, a levy is made on Treasury 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 Treasury'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 and other members' choice superannuation funds, 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. Treasury's obligation is limited to its contribution to QSuper and other members' choice superannuation funds.

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

## 8 Employee expenses (continued)

### *(a) Key management personnel and remuneration*

The Minister is identified as part of the Treasury's key management personnel (KMP), consistent with additional guidance included in the revised version of AASB 124 Related Party Disclosures. This Minister is the Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships – Jacklyn Anne Trad.

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

Remuneration policy for Treasury's other KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. Individual remuneration and other terms of employment (including motor vehicle entitlements and performance payments if applicable) are specified in employment contracts. No non-ministerial KMP remuneration packages provide for performance or bonus payments.

The following details for non-ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of Treasury during the respective reporting periods. Further information about these positions can be found in the body of the Annual Report under the section relating to Executive Management.

The following disclosures focus on the expenses incurred by Treasury during the respective reporting periods that are attributable to non-Ministerial KMP.

**Transactions with people/entities related to KMP**

There are no related party transactions with the Treasury consolidated entity that involve KMP, close family members and their personal business interests.

## 8 Employee expenses – *(a) Key Management Personnel and remuneration (continued)*

The amounts disclosed below reflect expenses recognised in the Statement of Comprehensive Income.

**1 July 2018 - 30 June 2019**

| Position (a) | Responsibilities | Date appointed to position (End date of position) | Short term employee expenses | Long term employee expenses | Post employment expenses | Termination benefits | Total expenses |
|---|---|---|---|---|---|---|---|
| | | | Monetary expenses * $'000 | $'000 | $'000 | $'000 | $'000 |
| Under Treasurer | Responsible for executive leadership, strategic direction of the department and whole-of-government financial management | 09-Jun-15 (14-Sept-18) | 116 | 3 | 16 | 297 | **432** |
| Acting Under Treasurer | Responsible for executive leadership, strategic direction of the department and whole-of-government financial management | 15-Sept-18 (10-Feb-19) | 233 | 4 | 16 | | **253** |
| Under Treasurer | Responsible for executive leadership, strategic direction of the department and whole-of-government financial management | 11-Feb-19 | 234 | 5 | 27 | | **266** |
| Deputy Under Treasurer | Responsible for the provision of expert advice and support to the department on strategic initiatives and major policy decisions | 4-Mar-19 (b) | 108 | 2 | 12 | | **122** |
| Deputy Under Treasurer | Responsible for Economics and Fiscal Coordination | 25-Sep-17 | 272 | 6 | 27 | | **305** |
| Acting Deputy Under Treasurer | Responsible for Agency Performance | 12-Dec-17 | 251 | 5 | 22 | | **278** |
| Acting Deputy Under Treasurer | Responsible for Commercial Services | 05-Jun-17 | 268 | 5 | 29 | | **302** |
| Commissioner | Responsible for the Office of State Revenue | 10-Feb-14 (c) | 302 | 6 | 32 | | **340** |
| Acting Deputy Under Treasurer | Responsible for Agency Performance and Investment | 03-Sep-18 | 198 | 4 | 21 | | **223** |
| Executive General Manager | Responsible for Risk and Intelligence | 27-Jan-16 | 224 | 5 | 25 | | **254** |
| **Total expenses** | | | 2,206 | 45 | 227 | 297 | **2,775** |

* The department does not have any non-monetary benefits to disclose in relation to its KMP.
(a) Some positions have been excluded from the table on the basis of being immaterial in relation to time in the role and dollar value.
(b) Under a work performance arrangement for 6 months under s183 of the *Public Service Act* 2008.
(c) Retired on 5 July 2019.

## 8 Employee expenses – *(a) Key Management Personnel and remuneration (continued)*

**1 July 2017 - 30 June 2018**

| Position (a) | Responsibilities | Date appointed to position (End date of position) | Short term employee expenses | Long term employee expenses | Post employment expenses | Termination benefits | Total expenses |
|---|---|---|---|---|---|---|---|
| | | | Monetary expenses * $'000 | $'000 | $'000 | $'000 | $'000 |
| Under Treasurer | Responsible for executive leadership, strategic direction of the department and whole-of-government financial management | 09-Jun-15 | 612 | 12 | 76 | .. | **700** |
| Acting Deputy Under Treasurer | Responsible for executive leadership, strategic direction of the department and whole-of-government financial management for Economics and Fiscal Coordination | 24-Aug-15 (29-Sept-17) | 62 | 1 | 6 | .. | **69** |
| Deputy Under Treasurer | Responsible for Economics and Fiscal Coordination | 25-Sep-17 | 195 | 4 | 15 | .. | **214** |
| Deputy Under Treasurer | Responsible for Agency Performance | 06-Aug-15 (11-Dec-17) | 111 | 2 | 13 | .. | **126** |
| Acting Deputy Under Treasurer | Responsible for Agency Performance | 12-Dec-17 | 135 | 2 | 10 | .. | **147** |
| Acting Deputy Under Treasurer | Responsible for Commercial Services | 05-Jun-17 | 269 | 5 | 29 | .. | **303** |
| Deputy Under Treasurer | Responsible for Commercial Services and Agency Performance | 27-Aug-15 (27-May-18) | 246 | 6 | 29 | .. | **281** |
| Commissioner | Responsible for the Office of State Revenue | 10-Feb-14 | 294 | 6 | 32 | .. | **332** |
| Executive General Manager | Responsible for Operations and Change | 15-Sep-16 | 202 | 4 | 22 | .. | **228** |
| Executive General Manager | Responsible for Risk and Intelligenc | 27-Jan-1 | 223 | 5 | 24 | .. | **252** |
| Deputy Director-General (b) | Responsible for the Office of Industrial Relations | 09-Jan-14 | 121 | 2 | 14 | .. | **137** |
| **Total expenses** | | | **2,470** | **49** | **270** | .. | **2,789** |

* The department does not have any non-monetary benefits to disclose in relation to its KMP.
(a) Some positions have been excluded from the table on the basis of being immaterial in relation to time in the role and dollar value.
(b) The Office of Industrial Relations was transferred to Department of Education via a MoG change effective 1 January 2018 (refer note 2).

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| **9 Supplies and services** | | | | |
| Computer charges | 30,865 | 33,712 | 30,865 | 33,712 |
| Contractors and employment agency charges | 26,985 | 27,952 | 26,985 | 27,952 |
| Property leases | 14,076 | 17,791 | 14,076 | 17,791 |
| SPER call centre costs | 11,257 | 10,892 | 11,257 | 10,892 |
| Consultants | 10,556 | 10,183 | 10,556 | 10,183 |
| Administration and advertising | 7,290 | 11,044 | 7,290 | 11,044 |
| Other property charges | 7,150 | 8,313 | 7,150 | 8,313 |
| Professional legal fees, service fees and charges | 2,929 | 7,056 | 2,929 | 7,056 |
| Other supplies and services | 462 | 3,518 | 462 | 3,518 |
| | 111,570 | 130,461 | 111,570 | 130,461 |

**Accounting policy – Supplies and services**
Treasury recognises expenses when incurred, usually when goods are received or services are consumed, which may not be when the goods or services are actually paid for.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred. Property leases are recognised on a straight-line basis over the lease life including any applicable lease incentives and annual rent increments, in accordance with *AASB 117 Leases*.

| | Consolidated Entity 2019 | Consolidated Entity 2018 | Parent Entity 2019 | Parent Entity 2018 |
|---|---|---|---|---|
| **10 Grants and subsidies** | | | | |
| CleanCo | 6,000 | .. | 6,000 | .. |
| Financial Provisioning | 1,340 | 2,032 | 1,340 | 2,032 |
| Other recurrent grants | 208 | 1,078 | 208 | 1,078 |
| Safe Work Australia | .. | 1,008 | .. | 1,008 |
| Anzac Day Trust | .. | 1,323 | .. | 1,323 |
| Back to Work | .. | 3,670 | .. | 3,670 |
| Queensland Ambulance Service | .. | 1,868 | .. | 1,868 |
| | 7,548 | 10,979 | 7,548 | 10,979 |

| | Consolidated Entity 2019 | Consolidated Entity 2018 | Parent Entity 2019 | Parent Entity 2018 |
|---|---|---|---|---|
| **11 Other expenses** | | | | |
| Deferred appropriation payable to Consolidated Fund | 28,082 | 18,698 | 28,082 | 18,698 |
| Bank charges | 1,666 | 1,763 | 1,666 | 1,763 |
| Internal audit fees | 808 | 1,376 | 808 | 1,376 |
| External audit fees* | 662 | 813 | 620 | 773 |
| Sundry expenses | 572 | 1,375 | 297 | 1,076 |
| Company secretariat and accounting services – QTC | 395 | 370 | .. | .. |
| Operating leases | 377 | 371 | .. | .. |
| Qld Government Insurance Fund - insurance premiums | 33 | 86 | 33 | 86 |
| Sponsorships and special payments | 30 | 73 | 30 | 73 |
| Impairment losses on investments | .. | 370 | .. | 370 |
| | 32,625 | 25,295 | 31,536 | 24,215 |

* Total departmental audit fees quoted by the Queensland Audit Office relating to the 2018-19 financial statements for the parent entity is $475k, which excludes the WoG financial statement audit costs (2018: $500k).

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| **12 Income tax expense** | | | | |
| Current tax comprises: | | | | |
| Current tax on profit for the year | 3,225 | 3,072 | .. | .. |
| | 3,225 | 3,072 | .. | .. |
| Deferred tax comprises: | | | | |
| Decrease/(increase) in deferred tax asset | 7,233 | 1,377 | .. | .. |
| (Decrease)/increase in deferred tax liability | 17,631 | (16,972) | .. | .. |
| | 24,864 | (15,595) | .. | .. |
| **Income tax expense/(benefit)** | 28,089 | (12,523) | .. | .. |
| **Numerical reconciliation of income tax expense to prima facie tax payable:** | | | | |
| Profit/(loss) before income tax expense | 87,648 | (35,112) | .. | .. |
| Less (profit)/loss of non taxable entities | (2,450) | (345) | .. | .. |
| Less dividends received from AZJ (Franked) | (8,700) | (6,289) | .. | .. |
| Plus: AASB 9 opening balance adjustment | 15,169 | .. | .. | .. |
| Plus: group dividend received | 1,964 | .. | .. | .. |
| Profit/(loss) before income tax expense from taxable entities | 93,631 | (41,746) | .. | .. |
| Tax at the Australian company tax rate of 30% | 28,089 | (12,523) | .. | .. |
| **Income tax expense/(benefit)** | 28,089 | (12,523) | .. | .. |

**Accounting policy – Income tax expense**

Current tax is the expected tax payable on the taxable income for the QTH consolidated entity for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

**13 Cash and cash equivalents**

| | Consolidated 2019 | Consolidated 2018 | Parent 2019 | Parent 2018 |
|---|---|---|---|---|
| QTC Cash Fund | 93,576 | 83,020 | .. | .. |
| Cash surety | 52,548 | .. | 52,548 | .. |
| Cash on hand and at bank | 48,763 | 37,250 | 48,749 | 37,247 |
| **Cash at the end of financial year** | 194,887 | 120,270 | 101,297 | 37,247 |

**Accounting policy – Cash and cash equivalents**
Cash assets include all cash as well as deposits at call with financial institutions. Cash equivalents include investments with short periods to maturity that are readily convertible to cash on hand at Treasury's option and that are subject to a low risk of changes in value. Cash surety relates to the surety received from the Financial Provisioning Scheme.

Bank accounts grouped within the whole-of-government set-off arrangement with the Queensland Treasury Corporation (QTC) do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| **14 Receivables** | | | | |
| ***Current*** | | | | |
| Receivables of operating nature | 1,481 | 1,267 | 1,481 | 1,267 |
| Less allowance for impairment loss | .. | .. | .. | .. |
| | 1,481 | 1,267 | 1,481 | 1,267 |
| Loan receivable* | 6,292 | 5,808 | .. | .. |
| Annual leave claims receivable | 1,662 | 1,486 | 1,662 | 1,486 |
| GST input tax credits receivable | 1,291 | 1,746 | 1,291 | 1,746 |
| Sundry receivable | 875 | 2,130 | 875 | 2,130 |
| Long service leave claims receivable | 442 | 375 | 442 | 375 |
| | 10,562 | 11,545 | 4,270 | 5,737 |
| **Total current** | 12,043 | 12,812 | 5,751 | 7,004 |
| ***Ageing of past due but not impaired receivables*** | | | | |
| **Overdue** | | | | |
| Less than 30 days | 16 | 27 | 16 | 27 |
| 30-60 days | .. | 837 | .. | 837 |
| 61 to 90 days | 8 | .. | 8 | .. |
| Greater than 90 days | 5 | 1 | 5 | 1 |
| **Total overdue** | 29 | 865 | 29 | 865 |
| ***Non-current**** | | | | |
| Loan receivable* | 38,165 | 41,726 | .. | .. |
| Licence fee receivable** | .. | 121,249 | .. | .. |
| Interest revenue - accumulated | .. | 67,318 | .. | .. |
| Impairment expense - accumulated | .. | (135,853) | .. | .. |
| **Total Non-current** | 38,165 | 94,440 | .. | .. |

* The loan receivable is discounted at 6.55% and includes the rights to fixed annual payments up to 31 December 2025.

** For 2018 comparative disclosure, the licence fee receivable has been estimated based on projected trade volume and price growth and is discounted at a rate of 9.48% (2018: 9.55%). The discount rate is applied against expected cash flows under a revenue sharing arrangement based on a pre-tax discount rate.

**Accounting policy - Receivables**

Receivables of operating nature are recognised at the amounts due at the time of service delivery i.e. the agreed purchase/contract price. Settlement is generally required within 30 days.

QTH's loans receivable is a non-derivative financial asset that are not quoted in an active market and are carried at amortised cost using the effective interest method. Licence fee receivable is a non-derivative financial asset with fixed or determinable payments that is not quoted in an active market previously recognised at amortised cost. This is carried at fair value through profit and loss effective 1 July 2018 *(Refer to Note 1i and Note 16)*.

***Credit risk exposure of receivables***

Credit risk exposure refers to the situation where Treasury and its controlled entities 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 Treasury 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 impairments. No collateral is held as security and no credit enhancements relate to the financial assets held by Treasury.

The QTH controlled entity is exposed to credit risk in relation to the receivables arrangements entered into with Brisbane Port Holdings (BPH). BPH has assigned its rights to QTH to receive money payable to it by the Port Manager, Port of Brisbane Pty Ltd (PBPL).

## 14 Receivables (continued)

***Credit risk exposure of receivables (continued)***

The consolidated entity is also exposed to credit risk through its investments in QTC Cash Fund. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rated counterparties. Deposits with QTC Cash Fund are capital guaranteed.

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

If there is no expected credit loss event in respect of a debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If Treasury and its controlled entities determine that an amount owing by such a debtor does become uncollectable (after an appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written off directly against receivables.

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **15 Lease receivables** | **$'000** | **$'000** | **$'000** | **$'000** |
| ***Current*** | | | | |
| Finance lease receivable | 1,410 | 1,351 | .. | .. |
| Novation receivable | 7,160 | 7,314 | .. | .. |
| | 8,570 | 8,665 | .. | .. |
| ***Non-current*** | | | | |
| Finance lease receivable | 104,391 | 105,801 | .. | .. |
| Novation receivable | .. | 7,160 | .. | .. |
| | 104,391 | 112,961 | .. | .. |
| **Total** | | | | |
| Lease receivable | 105,801 | 107,152 | .. | .. |
| Novation receivable | 7,160 | 14,474 | .. | .. |
| | 112,961 | 121,626 | .. | .. |
| *Finance leases* | | | | |
| Minimum lease payments | | | | |
| - Not later than one year | 6,471 | 6,471 | .. | .. |
| - Later than one year and not later than five years | 25,882 | 25,882 | .. | .. |
| - Later than five years | 176,051 | 182,522 | .. | .. |
| Minimum lease commitments receivable at balance date * | 208,404 | 214,875 | .. | .. |
| Less future finance charges | (102,603) | (107,723) | .. | .. |
| Total lease receivable | 105,801 | 107,152 | .. | .. |
| Present value of minimum lease payments | | | | |
| - Not later than one year | 6,280 | 6,281 | .. | .. |
| - Later than one year and not later than five years | 22,328 | 22,328 | .. | .. |
| - Later than five years | 77,193 | 78,543 | .. | .. |
| | 105,801 | 107,152 | .. | .. |

* 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 of Dalrymple Bay Coal Terminal. 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.

| | Consolidated Entity 2019 $'000 | Consolidated Entity 2018 $'000 | Parent Entity 2019 $'000 | Parent Entity 2018 $'000 |
|---|---|---|---|---|
| **15 Lease receivables (continued)** | | | | |
| **Novation receivable** | | | | |
| *Operating lease* | | | | |
| Minimum lease payments | | | | |
| - Not later than one year | 7,376 | 7,877 | .. | .. |
| - Later than one year and not later than five years | .. | 7,376 | .. | .. |
| Minimum novation payments receivable at balance date * | 7,376 | 15,253 | .. | .. |
| Less: future finance charges | (216) | (779) | .. | .. |
| Total novation receivable | 7,160 | 14,474 | .. | .. |
| Present value of minimum lease payments | | | | |
| - Not later than one year | 7,160 | 7,648 | .. | .. |
| - Later than one year and not later than five years | .. | 6,826 | .. | .. |
| | 7,160 | 14,474 | .. | .. |

* 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.

**Accounting policy – Lease receivables**

Leases are classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Finance leases are capitalised at the lease's inception at the fair value of the leased asset, or if lower, the present value of the minimum lease payments along with the corresponding liability. Each lease payment is allocated between the balance sheet and income statement so as to produce a constant periodic rate of return.

| | Consolidated Entity 2019 $'000 | Consolidated Entity 2018 $'000 | Parent Entity 2019 $'000 | Parent Entity 2018 $'000 |
|---|---|---|---|---|
| **16 Other financial assets** | | | | |
| ***Current*** | | | | |
| Shares – AZJ * | 296,601 | 237,830 | .. | .. |
| | 296,601 | 237,830 | .. | .. |
| ***Non-current*** | | | | |
| Licence fee receivable | 76,833 | .. | .. | .. |
| Shares held in unlisted company | .. | 6,833 | .. | 6,833 |
| QIC investments (net) - Business Development Fund (BDF) | 56,638 | 39,630 | 56,638 | 39,630 |
| | 133,471 | 46,463 | 56,638 | 46,463 |

* The QTH controlled entity holds 54,926,186 shares (2018: 54,926,186 shares) in Auizon, purchased at the institutional price of $2.55 per share. The shares are market valued based on the closing listed share price of $5.40 per share (2018: $4.33). Refer note 7.

**Accounting policy – Other financial assets**

Treasury carries equity investments at fair value through profit and loss under AASB 9 Financial Instruments.

The fair value of investments in AZJ shares reflects unadjusted quoted market price. Licence fee receivable is a non-derivative financial asset with fixed or determinable payments that is not quoted in an active market carried at FVTPL effective 1 July 2018 (*Refer to Note 1i*).

The BDF (Fund) invests in emerging and innovative Queensland businesses. The fair value methodology for the BDF is considered to be a Level 2 input as it is based on substantially derived inputs that are observable either directly or indirectly. Investment in the BDF provides the co-investor with a call option (from the 2nd to 5th year of investment) and the Fund with a put option under limited circumstances (over the life of investment). The Fund treats the call and put option as embedded derivatives of the equity investment as they are closely related to the investment, and accounts for the entire investment as a single financial instrument. The fair value is determined depending on the holding period of the investment in the fund as follows:

(a) Investments held for less than 2 years – initial cost of investment

## 16 Other Financial Assets (continued)

(b) Investments held between 2-5 years – cost plus interest (with interest calculated as QTC's 10-year bond rate plus 2%) as the call option provides a cap for any increase in fair value
(c) Investment held for more than 5 years – based on latest equity raised

Over the life of the investment, decrease in fair value will be assessed for each investment by identifying any indicators of fair value drop based on information provided by the investees' management teams and may include valuations attributed to the investee as a result of subsequent funding rounds, audited or unaudited financial statements, cash flow projections and other management reports.

## 17 Intangibles

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| Internally generated software | | | | |
| – at cost | 30,365 | 18,703 | 30,365 | 18,703 |
| – accumulated amortisation | (7,437) | (4,274) | (7,437) | (4,274) |
| | 22,928 | 14,429 | 22,928 | 14,429 |
| Purchased software/licences | | | | |
| – at cost | 10,091 | 10,091 | 10,091 | 10,091 |
| – accumulated amortisation | (9,754) | (9,613) | (9,754) | (9,613) |
| | 337 | 478 | 337 | 478 |
| Internally generated software work in progress | | | | |
| – at cost | .. | 4,876 | .. | 4,876 |
| | .. | 4,876 | .. | 4,876 |
| Total intangibles | | | | |
| – net book value | 23,265 | 19,783 | 23,265 | 19,783 |

**Accounting policy – Intangibles**

All intangible assets of Treasury comprise internally developed and purchased software and software licences. Intangible assets with a cost greater than $100,000 are recognised as an asset, have finite useful lives and are amortised on a straight-line basis.

Training costs and research activities relating to internally-generated assets are recognised as an expense when incurred.

As there is no active market for the department's intangible assets, they are recognised and carried at historical cost less accumulated amortisation and impairment losses. Intangible assets are annually assessed for indicators of impairment, principally reviewing the actual and expected continuing use of the asset. If a potential indicator of impairment exists, Treasury determines the asset's recoverable amount. If the asset's carrying amount exceeds the recoverable amount an impairment loss is recognised.

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

| Intangibles | Amortisation rates |
|---|---|
| – Internally generated software | 10% - 25% |
| – Purchased software/licences | 6.67% - 25% |

**17 Intangibles (continued)**

| Reconciliation | Internally generated software 2019 $'000 | Internally generated software 2018 $'000 | Purchased software/licences 2019 $'000 | Purchased software/licences 2018 $'000 | Internally generated software works in progress 2019 $'000 | Internally generated software works in progress 2018 $'000 | Total 2019 $'000 | Total 2018 $'000 |
|---|---|---|---|---|---|---|---|---|
| Carrying amount at 1 July | 14,429 | 6,221 | 478 | 782 | 4,876 | 3,937 | 19,783 | 10,940 |
| Acquisitions | 7,002 | 10,715 | .. | .. | | 2,828 | 7,002 | 13,543 |
| MoG transfer in | .. | .. | .. | .. | .. | .. | .. | .. |
| MoG transfer out | | (1,407) | | (128) | | (787) | .. | (2,322) |
| Disposals | .. | .. | .. | .. | .. | .. | .. | .. |
| Transfers between asset classes | 4,876 | 1,102 | .. | .. | (4,876) | (1,102) | .. | .. |
| Amortisation * | (3,379) | (2,202) | (141) | (176) | .. | .. | (3,520) | (2,378) |
| Carrying amount at 30 June | 22,928 | 14,429 | 337 | 478 | .. | 4,876 | 23,265 | 19,783 |

* Amortisation of intangibles is included in the line item 'Depreciation and amortisation' in the Statement of Comprehensive Income.
Treasury has intangibles which are fully amortised and still in use that had an original cost of $9.652 million (2017–18: $9.869 million).

**18 Payables**

| | Consolidated Entity 2019 $'000 | Consolidated Entity 2018 $'000 | Parent Entity 2019 $'000 | Parent Entity 2018 $'000 |
|---|---|---|---|---|
| ***Current*** | | | | |
| Payables of operating nature | 14,567 | 20,524 | 14,567 | 20,524 |
| Cash surety payable | 52,548 | .. | 52,548 | .. |
| Deferred appropriation for departmental services payable | 28,083 | 18,698 | 28,083 | 18,698 |
| Equity Withdrawal Payable | 3,365 | .. | 3,365 | .. |
| FBT payable | 957 | 202 | 66 | 83 |
| GST payable | 144 | 139 | 144 | 139 |
| Sundry payables | 2,696 | 353 | 27 | 11 |
| | 102,360 | 39,916 | 98,800 | 39,455 |
| ***Non-current*** | | | | |
| Payables of operating nature | 7,513 | 4,974 | 7,513 | 4,974 |
| | 7,513 | 4,974 | 7,513 | 4,974 |

**Accounting policy - Payables**

Current payables are recognised upon receipt of goods and services at the agreed purchase price. Amounts owing are generally settled on 30-day terms and are unsecured. Deferred appropriation for services payable is recognised to reflect unused appropriation funding by Treasury to be returned to the Consolidated Fund.

Cash surety for the Financial Provisioning Scheme are recognised as a liability when the cash is received. The surety is payable on demand to the environmental authority holder as the surety provided can be replaced with another form of surety approved by the Scheme Manager.

Refer to Note 3 for recognition of deferred appropriation for departmental services payable.

Non-current payables are recognised for lease payments under an operating lease on a straight-line basis over the lease term.

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| **19 Other liabilities** | | | | |
| ***Current*** | | | | |
| Unearned revenue | 67 | 197 | 67 | 197 |
| Sub-lease on land* | 350 | 342 | .. | .. |
| | 417 | 539 | 67 | 197 |
| ***Non-current*** | | | | |
| Sub-lease on land* | 1,694 | 2,039 | .. | .. |
| | 1,694 | 2,039 | .. | .. |

* The QTH controlled entity, through DBCTH, has deferred revenue resulting from an upfront payment on a long-term lease arrangement.

**Accounting policy – Deferred revenue**

The QTH consolidated entity, through DBCTH has deferred revenue resulting from an upfront payment on a long-term lease arrangement. The deferred revenue is amortised in proportion to the relevant lease payments.

| | Consolidated Entity 2019 | Consolidated Entity 2018 | Parent Entity 2019 | Parent Entity 2018 |
|---|---|---|---|---|
| **20 Deferred tax liabilities** | | | | |
| Attributable to temporary differences: | | | | |
| Financial assets at fair value – AZJ | 46,962 | 29,330 | .. | .. |
| Investments in subsidiaries – DBCTH | 178 | 178 | .. | .. |
| Long term receivable – BPH licence fee* | (13,325) | (20,561) | .. | .. |
| Accrued audit fees | (7) | (3) | .. | .. |
| | 33,808 | 8,944 | .. | .. |

**Accounting policy - Deferred tax liability**

Deferred Tax liabilities are recognised by QTH for all taxable temporary differences between the carrying amount of assets and the corresponding tax base which is netted off against deferred tax asset.

*The QTH consolidated entity has recognised a deferred tax asset in relation to the difference between the purchase price of a long term receivable and its carrying amount. This receivable was originally recognised by QTH in 2011 at $121.2 million and is currently recognised at its fair value of $76.8 million due to the timing of the related cash flows which have been forecast to 2050. The long term receivable has been discounted at 9.48% based on a pre-tax discount rate. The associated deferred tax asset has not been discounted based on the requirement of AASB 112 *Income Taxes*.

| | Consolidated Entity 2019 | Consolidated Entity 2018 | Parent Entity 2019 | Parent Entity 2018 |
|---|---|---|---|---|
| **21 Interest bearing liabilities** | | | | |
| **Current loans with QTC** | | | | |
| Lease loan | 1,410 | 1,351 | .. | .. |
| Novation loan | 7,160 | 7,314 | .. | .. |
| | 8,570 | 8,665 | .. | .. |
| **Non-current loans with QTC** | | | | |
| Lease loan | 104,391 | 105,801 | .. | .. |
| Novation loan | .. | 7,160 | .. | .. |
| | 104,391 | 112,961 | .. | .. |

The long-term Lease Loan and Novation Loan from QTC, are for periods of 50 and 20 years, respectively, unless terminated earlier. Interest on the loans 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.

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| **22 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 | 428 | 419 | .. | .. |
| Later than one year and not later than five years | 1,714 | 1,677 | .. | .. |
| Later than five years | 13,743 | 13,871 | .. | .. |
| Total commitments | 15,885 | 15,967 | .. | .. |
| **(b) Non-capital operating expenditure commitments** | | | | |
| 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 | 51,406 | 62,268 | 51,406 | 62,268 |
| Later than one year and not later than five years | 103,545 | 86,886 | 103,545 | 86,886 |
| Later than five years | 132,838 | 141,071 | 132,838 | 141,071 |
| Total commitments | 287,789 | 290,225 | 287,789 | 290,225 |
| **(c) Capital expenditure commitments** | | | | |
| Material capital expenditure commitments, inclusive of GST, contracted for but not recognised in the financial statements are payable as follows: | | | | |
| Not later than one year | 240 | 18,735 | 240 | 18,735 |
| Later than one year and not later than five years | .. | 16,479 | .. | 16,479 |
| Later than five years | .. | .. | .. | .. |
| Total commitments | 240 | 35,214 | 240 | 35,214 |

## 23 Contingencies

### Financial Provisioning Scheme

Treasury holds non-cash surety in the form of bank guarantees and insurance bonds. Non-cash surety held by the Scheme Manager at 30 June 2019 is:

- Bank guarantees $8,217.753 million
- Insurance bonds $84.823 million

As at 30 June 2019 notices to provide surety have been issued to environmental authority holders for an aggregate value of $93.787 million. In July 2019 the Scheme Manager became aware that it is probable claims will be made against surety to the value of $5.053 million. As there is uncertainty around the timing and realisation of the claims, the potential claim represents a contingency.

### Native title claims

In January 2019, the Native Title Compensation Project Management Office (PMO) transferred from Department of Natural Resources, Mines and Energy to Queensland Treasury. The PMO is managing existing native title compensation claims that are progressing in the Federal Court and developing a whole-of-government framework to settle future native title compensation claims. Liability for native title compensation will be assessed on a claim by claim basis, at the whole-of-government level.

### Environmental obligations

The QTH controlled 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 QTH controlled entity.

### Land tax

Under the Port of Brisbane Share Sale 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. At balance date, there have been no payments made to the Port lessee.

## 23 Contingencies (continued)

**Other**
Treasury has also received notification of a case that is not yet subject to court action. This case may or may not result in subsequent litigation.

## 24 Controlled entities

QTH is controlled by Treasury 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 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. The QTH controlled entity is audited by the Auditor-General of Queensland.

| **QTH summarised financial statements:** | **2019<br>$'000** | **2018<br>$'000** |
|---|---|---|
| **Income Statement** | | |
| Net income | 94,420 | (27,930) |
| Expenses | (6,772) | (7,182) |
| Income tax (benefit)/expense | 28,089 | (12,523) |
| **Operating result for the year (after income tax)** | **59,559** | **(22,589)** |
| | | |
| **Balance Sheet** | | |
| Total assets | 624,733 | 543,008 |
| Total liabilities | (152,373) | (133,412) |
| **Net Assets** | **472,360** | **409,596** |

| | **Net Assets** | |
|---|---|---|
| **Name of Controlled Entity** | **2019<br>$000** | **2018<br>$000** |
| Queensland Treasury Holdings Pty Ltd holds 100% ownership interest in the following material subsidiaries: | | |
| **Controlled Entities of QTH** | | |
| City North Infrastructure Pty Ltd * | .. | .. |
| Queensland Lottery Corporation Pty Ltd (QLC) | 2,748 | 2,743 |
| Queensland Airport Holdings (Cairns) Pty Ltd*** | .. | .. |
| Queensland Airport Holdings (Mackay) Pty Ltd*** | .. | .. |
| Network Infrastructure Company Pty Ltd ** | .. | .. |
| Brisbane Port Holdings Pty Ltd (BPH) | 19,229 | 18,859 |
| DBCT Holdings Pty Ltd | 7,420 | 7,304 |

* City North Infrastructure Pty Ltd did not trade during the year and the company is in the process of deregistering.
** Network Infrastructure Company Pty Ltd was registered on 15 June 2010 and has not traded.
*** Act as lessors for the Mackay and Cairns airport assets under 99-year finance lease arrangements. As such all airport assets were derecognised and upfront funds received were repatriated to the State Consolidated Fund in 2009.

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

| **Name of entity** | **Principal activities** | **Percentage ownership** | | **Carrying amount** | |
|---|---|---|---|---|---|
| | | **2019<br>%** | **2018<br>%** | **2019<br>$'000** | **2018<br>$'000** |
| Property Exchange Australia Ltd (PEXA)* | Develop then operate the national e-conveyancing system | .. | 3.87% | .. | 6,833 |

*originally known as National e-Conveyancing Development Limited.

In December 2018 Treasury's shares in PEXA were sold to a private consortium. Refer to Note 7.

## 26 Events occurring after balance date

There are no matters or circumstances which have arisen since the end of financial year that have significantly affected or may significantly affect Treasury and QTH Consolidated entity.

## 27 Financial instruments

### (a) Accounting policy

*Recognition*

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

*Classification*

Financial instruments are classified and measured as follows:

1. Financial assets – held at amortised cost
   - Receivables (except for licence fee receivable carried at fair value through profit & loss)
   - Lease receivables
   - Loans and advances
2. Financial assets– held at fair value through profit and loss
   - Licence fee receivable
   - Other financial assets – Shares in Aurizon Holdings Ltd (AZJ)
   - Other financial assets – Business Development Fund (BDF)
3. Financial liabilities – held at amortised cost
   - Payables
   - Interest bearing liabilities - Commonwealth, QTC borrowings and Advances payable to GOC's, QTH long-term lease and novation liabilities

The change in classification and measurement of financial instruments as a result of the application of AASB 9 is outlined in *Note 1(i)*.

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

### (b) Categorisation of financial instruments

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

| Category | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 13 | 194,887 | 120,270 |
| Receivables | 14 | 50,208 | 107,252 |
| Finance lease receivables | 15 | 112,961 | 121,626 |
| Other financial assets | 16 | | |
| Shares – AZJ | | 296,601 | 237,830 |
| Shares held in unlisted company at cost | | .. | 6,833 |
| QIC investments, Business Development Fund | | 56,638 | 39,630 |
| Licence fee receivable | | 76,833 | .. |
| **Total** | | 788,128 | 633,441 |
| **Financial liabilities** | | | |
| Payables | 18 | 102,360 | 39,916 |
| Interest bearing liabilities | 21 | 112,961 | 121,626 |
| **Total** | | 215,321 | 161,542 |

## 27 Financial instruments (continued)

### *(c) Financial risk management*

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

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

Treasury and its controlled entities manage exposure to these financial risks through advice and consultation with QTC primarily in relation to borrowing activities. Risk management parameters are reviewed regularly to reflect changes in market conditions and changes to Treasury and its controlled entities' activities.

### *(d) Liquidity risk*

Liquidity risk refers to the situation where Treasury may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The QTH controlled entity is exposed to liquidity risk through the normal course of business.

Treasury and its controlled entity manage liquidity risk by ensuring that it 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 to match the expected duration of the various employee and supplier liabilities.

The QTH controlled entity is exposed to liquidity risk through its borrowings with QTC, however this is mitigated by back to back arrangements on debt obligations.

The following table sets out the liquidity risk in relation to financial liabilities held by Treasury and its controlled entity. It represents the remaining contractual cash flows (principal and interest) of financial liabilities at the end of the reporting period.

| Consolidated | Note | 2019 payable in < 1 year $'000 | 1 - 5 years $'000 | > 5 years $'000 | Total undiscounted cash flow $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Payables | 18 | 102,360 | .. | .. | 102,360 | 102,360 |
| Interest bearing liabilities | 21 | 13,846 | 25,882 | 176,051 | 215,779 | 112,961 |
| **Total** | | 116,206 | 25,882 | 176,051 | 318,139 | 215,321 |

| Consolidated | Note | 2018 payable in < 1 year $'000 | 1 - 5 years $'000 | > 5 years $'000 | Total undiscounted cash flow $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Payables | 18 | 39,916 | .. | .. | 39,916 | 39,916 |
| Interest bearing liabilities | 21 | 14,348 | 33,528 | 182,521 | 230,397 | 121,626 |
| **Total** | | 54,264 | 33,528 | 182,521 | 270,313 | 161,542 |

### *(e) Credit risk*

The QTH controlled entity is also exposed to credit risk primarily through its investments in the QTC Cash Fund.
The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rated counterparties.
Deposits with the QTC Cash fund are capital guaranteed (Refer Note 13).

### *(f) Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange, interest rates and equity prices will affect Treasury and its controlled entities 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.

## 27 Financial instruments (continued)

### *(f) Market risk (continued)*

***Interest rate risk***

The QTH controlled entity is exposed to interest rate risk through the QTC Cash Fund which is capital guaranteed. Treasury is exposed to interest rate risk through the cash accounts from the Financial Provisioning Scheme and through the investment in the BDF for investments held between 2-5 years. All other financial assets and financial liabilities are fixed in nature.

***Equities risk***

The QTH controlled entity is exposed to equities risk through its investment in AZJ shares valued at market prices.

***Sensitivity analysis***

***Interest rates***

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date. The following interest rate sensitivity analysis depicts the effect that a reasonably possible change in interest rates (assumed to be +/- 1%) would have on the operating result and equity, based on the carrying values at the end of the reporting period:

| | | 2019 Interest rate risk | | | |
|---|---|---|---|---|---|
| **Consolidated** | **Carrying** | **-1%** | | **1%** | |
| **Financial instruments** | **amount** | **Profit** | **Equity** | **Profit** | **Equity** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash * | 146,138 | (1,461) | (1,461) | 1,461 | 1,461 |
| QIC Investment - BDF ** | 11,403 | (114) | (114) | 114 | 114 |
| **Potential impact** | | (1,575) | (1,575) | 1,575 | 1,575 |

* excludes fixed rate or non-interest bearing assets
** only includes investment held between 2-5 years

| | | 2018 Interest rate risk | | | |
|---|---|---|---|---|---|
| **Consolidated** | **Carrying** | **-1%** | | **1%** | |
| **Financial instruments** | **amount** | **Profit** | **Equity** | **Profit** | **Equity** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash* | 83,023 | (830) | (830) | 830 | 830 |
| **Potential impact** | | (830) | (830) | 830 | 830 |

* excludes fixed rate or non-interest bearing assets

***Equities***

Sensitivity analysis for equity instruments is based on a reasonably possible change in the ASX200 share price which is estimated at +/- 10% (2018: +/- 10%).

| | | 2019 Equities | | | |
|---|---|---|---|---|---|
| | **Carrying** | **-10%** | | **10%** | |
| **Financial instruments** | **amount** | **Profit** | **Equity** | **Profit** | **Equity** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Other financial assets – Shares – AZJ | 296,601 | (29,660) | (29,660) | 29,660 | 29,660 |
| **Potential impact** | | (29,660) | (29,660) | 29,660 | 29,660 |

| | | 2018 Equities | | | |
|---|---|---|---|---|---|
| | **Carrying** | **-10%** | | **10%** | |
| **Financial instruments** | **amount** | **Profit** | **Equity** | **Profit** | **Equity** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Other financial assets – Shares – AZJ | 237,830 | (23,783) | (23,783) | 23,783 | 23,783 |
| **Potential impact** | | (23,783) | (23,783) | 23,783 | 23,783 |

## 27 Financial instruments (continued)

### *(g) Fair value*

***Fair value hierarchy***

Financial instruments measured at fair value have been classified in accordance with the hierarchy described in AASB *13 Fair Value Measurement*. The fair value hierarchy is categorised into three levels based on the observability of the inputs to fair valuation techniques:

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

***Fair value***

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 | | | 2019 Carrying amount |
|---|---|---|---|---|---|
| | | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Financial assets** | | | | | |
| Cash and cash equivalents | | 101,311 | 93,576 | .. | 194,887 |
| Other financial assets – Shares – AZJ | | 296,601 | .. | .. | 296,601 |
| License Fee Receivable | | .. | .. | 76,833 | 76,833 |
| QIC Investment - BDF | | .. | 56,638 | .. | 56,638 |
| **Total** | | 397,912 | 150,214 | 76,833 | 624,959 |

| Class | | Classification according to fair value hierarchy | | | 2018 Carrying amount |
|---|---|---|---|---|---|
| | | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Financial assets** | | | | | |
| Cash and cash equivalents | | 37,250 | 83,020 | .. | 120,270 |
| Other financial assets – Shares – AZJ | | 237,830 | .. | .. | 237,830 |
| **Total** | | 275,080 | 83,020 | .. | 358,100 |

Classification of instruments into fair value hierarchy levels is reviewed annually, and any transfers are deemed to occur at the end of the reporting period. There were no transfers between Level 1 and Level 2 and no transfers in or out of Level 3 during the year ended 30 June 2019.

The inputs used in the classification of Level 2 instruments at fair value are as follows:

- QTC Cash Fund is measured at net realisable value.
- Investment in BDF is measured based on the net asset value which incorporates cost of the investment adjusted for the interest and latest equity raised (for investments more than 5 years).

The input used in the classification of Level 3 instruments where fair value is disclosed:

- Licence fee receivable cash flows are discounted at 9.48% per annum (2018: 9.55%) using projections of trade revenue and price growth inflated at CPI.

The lease receivable and associated interest-bearing liabilities (lease loan and novation loan) are back to back leasing arrangements held by DBCTH. Both the lease receivable and associated loan fair values are reasonably approximate to the carrying value at balance date due to the offsetting nature of these arrangements.

## 27 Financial instruments (continued)

### *(g) Fair value*

The fair values of financial assets and liabilities not carried at fair value at balance date are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial asset** | | | | |
| Loan receivable ^ | 44,457 | 52,232 | 47,534 | 54,243 |
| Licence fee receivable ^ | .. | .. | 52,714 | 64,415 |
| **Total** | 44,457 | 52,232 | 100,248 | 118,658 |

The fair values have been based on the following:

- Loans receivable are discounted to present value using a discount rate considering the entity specific risks and using valuation techniques.

## 28 Budget vs Actual comparison - Controlled

***Note – A budget vs actual comparison, and explanations of major variances, has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanations of major variances for other statements.***

***Explanation of major variances for Statement of Comprehensive Income***

Note 5: The increase reflects the goods and services received below fair value from other Government departments.

Note 6: The increase reflects interest earned on the Financial Provisioning Scheme cash balances.

Face Other revenue - The increase is primarily due to $2.139M in proceeds from the sale of the Department of Natural Resources Mines and Energy portion of the Property Exchange Australia Limited shares, $0.7M associated with the Long-Term Asset Advisory Board secretariat fees, $0.175M cost awarded in courts proceedings, and $0.149M in unbudgeted cost recoupment from Motor Accident Insurance Commission and Nominal Defendant.

Note 7: The increase is due to $13.323M unbudgeted gain on sale of Treasury portion of the Property Exchange Australia Limited shares, partially offset by the impact of fair value decrease of $3.365M associated with the Business Development Fund Investment in accordance with AASB 9 Financial Instruments.

Note 8: The decrease is mainly due to strategies in place to manage the department's full-time equivalents. Also contributing are utilisation of agency temps to back fill vacant positions mainly in the Office of State Revenue (OSR) and lower than expected costs associated with the expired enterprise bargaining agreement.

Note 9: The decrease is mainly due to costs associated with OSR Transformation Program ($12.792M) and the Cities Transformation Taskforce ($1.524M) initially budgeted for 2018-19 which are now expected to be incurred in future years. These are partially offset by unbudgeted expenditure associated with the CleanCo Implementation Taskforce ($3.925M) and the utilisation of agency temps to back fill vacant positions ($2.355M).

Note 10: The increase primarily relates to a $6M payment to CleanCo Queensland for the first year operations following its establishment as a government-owned corporation in December 2018, partially offset by lower than budgeted grant payments of $1.724M to the Department of Environment and Science and Department of Natural Resources Mines and Energy for the Financial Assurance Framework Reforms.

Face Depreciation and amortisation - The decrease is mainly a result of changed capitalisation schedule for software asset associated with the OSR Transformation Program ($5.063M).

Note 11: The increase primarily relates to the recognition of appropriation payable as an expense resulting from the re-profiling of funding associated with a number of departmental projects and initiatives from 2018-19 to future years, in accordance with Section 3B.2 of the Financial Reporting Requirements.

## 28 Budget vs Actual comparison – Controlled (continued)

***Explanation of major variances for Statement of Financial Position***

Note 13: The increase is primarily due to $52.548M cash surety collected from Environmental Authority holders. The Cash Surety received is not a revenue of Financial Provisioning Scheme upon receipt but a liability to pay it back to Environmental Authority holders. Cash Surety will only be recognised as revenue when the specific Environmental Authority holders who have provided the cash surety default on their obligation to rehabilitate the abandoned mine area. Also contributing are the recognition of appropriation payable of $28.083M resulting from the re-profiling of funding associated with a number of departmental projects and initiatives from 2018-19 to future years, and the increased operational payables ($7.276M) at 30 June.

Face Other assets - The increase reflects higher than budgeted prepayments associated with SAP products and services in OSR ($1.467M) and software licences and subscription fees ($0.629M).

Note 16: The decrease is due to $6.832M associated with the sale of the Property Exchange Australia Limited shares, and $3.362M in fair value decrease relating to the Business Development Fund investments.

Note 17: The increase is mainly due to lower than anticipated amortisation costs of $8.974M as a result of a changed amortisation schedule for a number of capital expenditure including OSR Transformation Program ($7.656M).

Note 18: The increase is mainly due to $52.548M payables to Environmental Authority holders associated with cash surety collected under the Mineral and Energy Resources (Financial Provisioning) Act 2018 effective 1 April 2019. Also contributing are $28.083M in appropriation payable resulting from re-profiling of funding associated with a number of departmental programs and initiatives from 2018-19 to future years.

Note 19: The decrease reflects reduced level of unearned revenue recognised at 30 June, mainly in the Queensland Government Statistician’s Office.

Note 18: The increase is due to straight-line methodology adopted for lease expenses as a result of the application of AASB 117 to leased property portfolio.

Face Accumulated surplus - The increase is mainly due to opening balance adjustment to reflect fair value increase associated with the Property Exchange Australia Limited shares as a result of the adoption of AASB 9 Financial Instruments.

Face Contributed equity - The decrease is mainly due to an equity withdrawal to return cash to the Consolidated Fund for the portion of sale proceeds from the Property Exchange Australia Limited shares equivalent to the shares' fair value prior to sale ($47.275M). This is partially offset by the delay of equity withdrawal of amortisation funding associated with OSR Transformation Program ($7.656M) to future years due to changed amortisation schedule.

***Explanation of major variances for Statement of Cash Flows***

Operating activity inflows

Surety receipts from Financial Assurance scheme - The increase is due to unbudgeted cash surety collected from Environmental Authority holders.

User charges - The increase primarily relates to reduced accrued revenue of $1.310M at 30 June. Also contributing is $0.569M due to the volume of reimbursable projects managed by Commercial Services being unknown when the 2018-19 budget was developed.

GST input tax credits from ATO - The increase is due to the amount of input tax credits paid by the ATO for supplier invoices processed which was not budgeted for.

Interest received - The increase reflects interest received on the Financial Provisioning Scheme cash balances.

Other - The increase is primarily due to $2.139M in proceeds from the sale of the Department of Natural Resources, Mines and Energy portion of the Property Exchange Australia Limited shares, $0.7M associated with the Long-Term Asset Advisory Board secretariat fees, $0.175M in cost awarded in courts proceedings, and $0.149M in unbudgeted cost recoupment from Motor Accident Insurance Commission and Nominal Defendant.

## 28 Budget vs Actual comparison – Controlled (continued)

***Explanation of major variances for Statement of Cash Flows (continued)***

Operating activity outflows

Employee expenses - The decrease is mainly due to strategies in place to manage the department's full-time equivalents. Also contributing are the utilisation of agency temps to back fill vacant positions mainly in OSR and lower than expected costs associated with the expired enterprise bargaining agreement.

Supplies and services - The increase is mainly due to unbudgeted GST paid to suppliers for goods and services purchased.

Grants and contributions - The increase primarily relates to a $6M payment to CleanCo Queensland, partially offset by lower than budgeted grant payments of $1.724M to the Department of Environment and Science and Department of Natural Resources, Mines and Energy for the Financial Assurance Framework Reforms.

GST remitted to ATO - The variance is due to GST input credit collected and remitted to the ATO for customer invoices processed which was not budgeted for.

Other - The decrease is primarily due to lower than anticipated bank charges, audit fees and other miscellaneous expenses.

Investing activity inflows

Proceeds from investments - The increase mainly relates to the proceeds from the sale of Treasury portion of the Property Exchange Australia Limited shares

Investing activity outflows

Payment for intangibles - The increase is mainly due to additional capital investment for Financial Assurance Information Register System due to amendment to the system scope to increase financial functionality.

Financing activity inflows

Equity injections - The increase mainly reflects $20M in capital funding received and then transferred to CleanCo Queensland.

Financing activity outflows

Equity withdrawals - The increase mainly relates to $47.275M to return a portion of sale proceeds of Property Exchange Australia Limited shares, which is equivalent to the shares' fair value prior to sales. Also contributing is $20M in payments of capital funding to CleanCo Queensland. This is partially offset by $7.656M reduction in equity withdrawals of amortisation funding associated with the OSR Transformation Program.

| | Notes | 2019 Actual $'000 | 2019 Published Budget $'000 | 2019 Budget Variance* $'000 | 2018 Actual $'000 |
|---|---|---|---|---|---|
| **Income and expenses administered on behalf of the whole-of-government** | | | | | |
| **Income from continuing operations** | | | | | |
| **Revenue** | | | | | |
| Grants and other contributions | 29 | 19,280,473 | 19,366,694 | (86,221) | 19,859,938 |
| Taxes | 30 | 11,617,135 | 11,545,725 | 71,410 | 10,818,926 |
| Royalties | 31 | 5,183,244 | 4,416,810 | 766,434 | 4,263,206 |
| Interest | 32 | 33,299 | 29,155 | 4,144 | 35,580 |
| Appropriation revenue | 33 | 5,827,870 | 5,991,751 | (163,881) | 5,944,629 |
| User charges and fees | | 50,482 | 54,088 | (3,606) | 71,248 |
| Other revenue | 34 | 419,138 | 390,972 | 28,166 | 381,050 |
| **Total income from continuing operations** | | 42,411,641 | 41,795,195 | 616,446 | 41,374,577 |
| **Expenses from continuing operations** | | | | | |
| Supplies and services | 35 | 151,943 | 161,121 | (9,178) | 157,855 |
| Losses on receivables | 36 | 25,959 | 57,844 | (31,885) | 88,014 |
| Finance/borrowing costs | 37 | 1,306,549 | 1,208,908 | 97,641 | 1,389,795 |
| Grants and subsidies | | 157,040 | 219,348 | (62,308) | 296,563 |
| Other expenses | 38 | 4,196,471 | 4,402,374 | (205,903) | 4,070,449 |
| **Total expenses from continuing operations** | | 5,837,962 | 6,049,595 | (211,633) | 6,002,676 |
| **Operating result from continuing operations before transfers to government** | | 36,573,679 | 35,745,600 | 828,079 | 35,371,901 |
| **Transfers of administered revenue to government** | | 36,573,679 | 35,745,600 | 828,079 | 35,371,901 |
| **Total administered comprehensive income** | | .. | .. | .. | .. |

*** An explanation of major variances is included at Note 47.**

**The accompanying notes form part of these statements.**

| | Notes | 2019 Actual $'000 | 2019 Published Budget $'000 | 2019 Budget variance* $'000 | 2018 Actual $'000 |
|---|---|---|---|---|---|
| **Assets and liabilities administered on behalf of the whole-of-government** | | | | | |
| **Current assets** | | | | | |
| Cash assets | 39 | (3,754,475) | (4,433,307) | 678,832 | (3,825,484) |
| Receivables | 40 | 1,007,946 | 1,150,769 | (142,823) | 944,288 |
| Other current assets | 41 | 8,809 | 8,633 | 176 | 8,468 |
| **Total current assets** | | (2,737,720) | (3,273,905) | 536,185 | (2,872,728) |
| **Non-current assets** | | | | | |
| Receivables | 40 | 62,249 | 68,237 | (5,988) | 75,672 |
| **Total non-current assets** | | 62,249 | 68,237 | (5,988) | 75,672 |
| **Total administered assets** | | (2,675,471) | (3,205,668) | 530,197 | (2,797,056) |
| **Current liabilities** | | | | | |
| Payables | 42 | 132,312 | 7,666 | 124,646 | 168,900 |
| Transfer to government payable ** | | 960,101 | 1,195,621 | (235,520) | 903,842 |
| Interest bearing labilities | 43 | 2,281,142 | 1,388,811 | 892,331 | 2,298,345 |
| Other liabilities | 44 | 35,573 | 39,405 | (3,832) | 38,290 |
| **Total current liabilities** | | 3,409,128 | 2,631,503 | 777,625 | 3,409,377 |
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 43 | 29,082,160 | 28,619,918 | 462,242 | 28,250,395 |
| **Total non-current liabilities** | | 29,082,160 | 28,619,918 | 462,242 | 28,250,395 |
| **Total administered liabilities** | | 32,491,288 | 31,251,421 | 1,239,867 | 31,659,772 |
| **Administered net assets** | | (35,166,759) | (34,457,089) | (709,670) | (34,456,828) |

*** An explanation of major variances is included at Note 47.**

**The accompanying notes form part of these statements.**

**** Accounting policy – Administered revenue**

In accordance with the *Financial Accountability Act 2009*, all administered revenue is to be transferred to the Treasurer's consolidated fund operating account during the year. Amounts received but not yet transferred to the Treasurer's consolidated fund operating account are recorded as a payable at year end. Administered revenue received is transferred to the consolidated fund during the year and can be found in the Statement of Comprehensive Income. The accounts are prepared on an accrual basis of accounting as outlined in note 1(b).

| | Notes | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Cash flows administered on behalf of the whole-of-government** | | | |
| **Cash flows from operating activities** | | | |
| ***Inflows*** | | | |
| Administered item receipts | | 5,745,806 | 5,876,589 |
| Grants and other contributions | | 19,311,569 | 19,859,938 |
| Taxes | | 11,581,031 | 10,814,097 |
| Royalties | | 5,179,410 | 4,393,695 |
| Finance income | | 30,993 | 33,047 |
| GST input tax credits from ATO | | 4,883 | 4,384 |
| Other | | 423,260 | 404,653 |
| ***Outflows*** | | | |
| Transfers to government | | (36,517,420) | (35,479,344) |
| Grants and subsidies | | (157,040) | (296,563) |
| Finance costs | | (1,256,605) | (1,350,336) |
| Supplies and services | | (157,470) | (162,197) |
| GST remitted to ATO | | (19,111) | (19,126) |
| Other | | (4,162,657) | (4,042,415) |
| **Net cash provided by/(used in) operating activities** | | 6,649 | 36,421 |
| Cash flows from investing activities | | | |
| ***Inflows*** | | | |
| Loans and advances received | | 19,700 | 21,206 |
| ***Outflows*** | | | |
| Loans and advances made | | (4,067) | (3,935) |
| **Net cash provided by/(used in) investing activities** | | 15,633 | 17,271 |
| **Cash flows from financing activities** | | | |
| ***Inflows*** | | | |
| Equity injections | | 742,959 | 112,870 |
| Advances received from GOCs | | 3,014,094 | 3,213,790 |
| Borrowings | | 1,578 | 159 |
| Transfer from redraw | | 500,000 | 1,000,000 |
| ***Outflows*** | | | |
| Borrowing redemptions | | (32,077) | (12,276) |
| Transfer to redraw | | (375,000) | (3,065,000) |
| Advance redemptions to GOCs | | (3,081,827) | (2,312,342) |
| Equity withdrawals | | (721,000) | (85,187) |
| **Net cash provided by/(used in) financing activities** | | 48,727 | (1,147,986) |
| **Net increase/(decrease) in cash and cash equivalents** | | 71,009 | (1,094,294) |
| **Administered cash and cash equivalents at beginning of financial year** | | (3,825,484) | (2,731,190) |
| **Administered cash and cash equivalents at end of financial year** | 39 | (3,754,475) | (3,825,484) |

**The accompanying notes form part of these statements.**

Reconciliation of administered comprehensive income to net cash from operating activities
for the year ended 30 June 2019

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| **Administered comprehensive income** | | |
| Non cash finance cost adjustments | (897) | (1,787) |
| Interest expense on QTC loans | 47,588 | 33,288 |
| Accounting policy change - Impairment | 6,512 | .. |
| Loan write-off | 1,377 | .. |
| **Change in assets and liabilities:** | | |
| (Increase)/decrease in receivables | (64,544) | 29,128 |
| (Increase)/decrease in other current assets | (341) | 173 |
| Increase/(decrease) in payables | (36,588) | 93,245 |
| Increase/(decrease) in transfers to government payable | 56,259 | (115,849) |
| Increase/(decrease) in other liabilities | (2,717) | (1,777) |
| **Net cash provided by/(used in) operating activities** | 6,649 | 36,421 |

**Reconciliation of Liabilities Arising from Financing Activities**
**for the year ended 30 June 2019**

| | | | Non-Cash Changes | | | Cashflows | | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Closing balance 2018 $'000 | Transfers to/(from) other Queensland Government Entities $'000 | New Leases Acquired $'000 | Interest & Admin Fees $'000 | Cash Received $'000 | Cash Repayments $'000 | Closing balance 2019 $'000 |
| **Assets and liabilities administered on behalf of the whole-of-government** | | | | | | | | |
| **Current liabilities** | | | | | | | | |
| Interest bearing liabilities | 43 | 2,298,345 | .. | .. | 64,542 | 3,014,094 | (3,095,839) | 2,281,142 |
| **Non-current liabilities** | | | | | | | | |
| Interest bearing liabilities | 43 | 28,250,395 | .. | .. | 723,253 | 501,578 | (393,066) | 29,082,160 |
| **Total administered liabilities** | | 30,548,740 | .. | .. | 787,795 | 3,515,672 | (3,488,905) | 31,363,302 |

**Reconciliation of Liabilities Arising from Financing Activities**
**for the year ended 30 June 2018**

| | | | Non-Cash Changes | | | Cashflows | | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Closing balance 2017 $'000 | Transfers to/(from) other Queensland Government Entities $'000 | New Leases Acquired $'000 | Interest & Admin Fees $'000 | Cash Received $'000 | Cash Repayments $'000 | Closing balance 2018 $'000 |
| **Assets and liabilities administered on behalf of the whole-of-government** | | | | | | | | |
| **Current liabilities** | | | | | | | | |
| Interest bearing liabilities | 43 | 1,359,316 | .. | .. | 49,858 | 3,213,790 | (2,324,619) | 2,298,345 |
| **Non-current liabilities** | | | | | | | | |
| Interest bearing liabilities | 43 | 30,329,534 | .. | .. | (14,298) | 1,000,159 | (3,065,000) | 28,250,395 |
| **Total administered liabilities** | | 31,688,850 | .. | .. | 35,560 | 4,213,949 | (5,389,619) | 30,548,740 |

| | Economic and Fiscal Coordination | | Revenue Management | | Industrial Relations | | Other * | | Inter-service/activity eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| **Income and expenses administered on behalf of the whole-of-government** | | | | | | | | | | | | |
| **Income from continuing operations** | | | | | | | | | | | | |
| **Revenue** | | | | | | | | | | | | |
| Grants and other contributions | 19,280,473 | 19,859,938 | .. | .. | .. | .. | .. | .. | .. | .. | 19,280,473 | 19,859,938 |
| Taxes | 1,340 | 1,275 | 11,629,613 | 10,846,227 | .. | .. | .. | .. | (13,819) | (28,576) | 11,617,135 | 10,818,926 |
| Royalties | .. | .. | 5,183,244 | 4,263,206 | .. | .. | .. | .. | .. | .. | 5,183,244 | 4,263,206 |
| Interest | .. | .. | 18,885 | 16,623 | .. | .. | 23,781 | 28,335 | (9,367) | (9,378) | 33,299 | 35,580 |
| Appropriation revenue | 151,030 | 184,314 | 156,519 | 234,246 | .. | .. | 5,520,321 | 5,526,069 | .. | .. | 5,827,870 | 5,944,629 |
| User charges and fees | .. | .. | 50,493 | 47,891 | .. | 23,357 | .. | .. | (10) | .. | 50,482 | 71,248 |
| Other revenue | 161,005 | 142,263 | 242,590 | 223,394 | .. | .. | 15,543 | 15,393 | .. | .. | 419,138 | 381,050 |
| **Total income from continuing operations** | 19,593,848 | 20,187,790 | 17,281,344 | 15,631,587 | .. | 23,357 | 5,559,645 | 5,569,797 | (23,196) | (37,954) | 42,411,641 | 41,374,577 |
| **Expenses from continuing operations** | | | | | | | | | | | | |
| Supplies and services | 120,203 | 126,477 | 5,474 | 5,222 | .. | .. | 26,266 | 26,156 | .. | .. | 151,943 | 157,855 |
| Losses on receivables | .. | .. | 24,582 | 88,014 | .. | .. | 1,377 | .. | .. | .. | 25,959 | 88,014 |
| Finance/borrowing cost | .. | .. | 51 | 205 | .. | .. | 1,315,865 | 1,398,968 | (9,367) | (9,378) | 1,306,549 | 1,389,795 |
| Grants and subsidies | 8,477 | 50,567 | 136,563 | 200,242 | .. | .. | 12,000 | 45,754 | .. | .. | 157,040 | 296,563 |
| Other expenses | 22,350 | 7,270 | 14,431 | 28,576 | .. | .. | 4,173,519 | 4,063,179 | (13,829) | (28,576) | 4,196,471 | 4,070,449 |
| **Total expenses from continuing operations** | 151,030 | 184,314 | 181,101 | 322,259 | .. | .. | 5,529,027 | 5,534,057 | (23,196) | (37,954) | 5,837,962 | 6,002,676 |
| **Operating result from continuing operations before transfers to government** | 19,442,818 | 20,003,476 | 17,100,243 | 15,309,328 | .. | 23,357 | 30,618 | 35,740 | .. | .. | 36,573,679 | 35,371,901 |
| **Transfers of administered comprehensive income to government** | 19,442,818 | 20,003,476 | 17,100,243 | 15,309,328 | .. | 23,357 | 30,618 | 35,740 | .. | .. | 36,573,679 | 35,371,901 |
| **Total administered comprehensive income** | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |

* Includes superannuation, whole-of-government offset account, central schemes (insurance, annual leave and long service leave), and other administered items.

| | Economic and Fiscal Coordination | | Revenue Management | | Other ** | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| **Assets and liabilities administered on behalf of the whole-of-government *** | | | | | | | | |
| **Current assets** | | | | | | | | |
| Cash assets | (86,805) | (41,198) | 95,271 | 91,864 | (3,762,941) | (3,876,150) | (3,754,475) | (3,825,484) |
| Receivables | 39,444 | 54,116 | 948,337 | 860,151 | 20,165 | 30,021 | 1,007,946 | 944,288 |
| Other current assets | 147 | 148 | .. | .. | 8,662 | 8,320 | 8,809 | 8,468 |
| **Total current assets** | (47,214) | 13,066 | 1,043,608 | 952,015 | (3,734,114) | (3,837,809) | (2,737,720) | (2,872,728) |
| **Non-current assets** | | | | | | | | |
| Receivables | .. | .. | .. | .. | 62,249 | 75,672 | 62,249 | 75,672 |
| **Total non-current assets** | .. | .. | .. | .. | 62,249 | 75,672 | 62,249 | 75,672 |
| **Total administered assets** | (47,214) | 13,066 | 1,043,608 | 952,015 | (3,671,865) | (3,762,137) | (2,675,471) | (2,797,056) |
| **Current liabilities** | | | | | | | | |
| Payables | 130,381 | 162,233 | (19,314) | (22,547) | 21,245 | 29,214 | 132,312 | 168,900 |
| Transfer to Government payable | (68,599) | (40,170) | 1,020,391 | 935,826 | 8,309 | 8,186 | 960,101 | 903,842 |
| Interest bearing Liabilities | .. | .. | .. | .. | 2,281,142 | 2,298,345 | 2,281,142 | 2,298,345 |
| Other liabilities | .. | .. | 35,573 | 38,290 | .. | .. | 35,573 | 38,290 |
| **Total current liabilities** | 61,782 | 122,063 | 1,036,650 | 951,569 | 2,310,696 | 2,335,745 | 3,409,128 | 3,409,377 |
| **Non-current liabilities** | | | | | | | | |
| Interest bearing Liabilities | .. | .. | .. | .. | 29,082,160 | 28,250,395 | 29,082,160 | 28,250,395 |
| **Total non-current liabilities** | .. | .. | .. | .. | 29,082,160 | 28,250,395 | 29,082,160 | 28,250,395 |
| **Total administered liabilities** | 61,782 | 122,063 | 1,036,650 | 951,569 | 31,392,856 | 30,586,140 | 32,491,288 | 31,659,772 |
| **Administered net assets** | (108,996) | (108,997) | 6,958 | 446 | (35,064,721) | (34,348,277) | (35,166,759) | (34,456,828) |

* The department has systems in place to allocate assets and liabilities by major departmental services.

** Includes superannuation, whole-of-government offset account and central schemes (insurance, annual leave and long service leave), and other administered items.

29 **Grants and other contributions**

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| GST revenue grant | 14,332,279 | 15,128,564 |
| National Partnership Payments - capital project | 1,589,713 | 1,660,539 |
| National Partnership Payments - recurrent project | 638,311 | 477,773 |
| *Specific purpose - recurrent* | | |
| - Schools | 1,665,198 | 1,551,299 |
| - Skills and workforce development | 304,397 | 299,240 |
| - Disability services | 368,875 | 406,317 |
| - Affordable housing | 313,706 | 272,138 |
| Other | 67,994 | 64,068 |
| | 19,280,473 | 19,859,938 |

* Refer note 5 accounting policy. Specific purpose grants received by Treasury relating to Quality Schools Funding are on-passed to the Department of Education. Specific purpose grants received by Treasury relating to National Insurance Affordability Initiative are on-passed to the Department of Infrastructure, Local Government and Planning. Specific purpose grants received by Treasury relating to plant disease and eradication are on-passed to the Department of Agriculture and Fisheries. All other grants are passed on to the Consolidated Fund.

30 **Taxes**

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| ***Taxes*** | | |
| Duties | 4,743,313 | 4,497,502 |
| Payroll tax | 4,203,144 | 3,947,625 |
| Land tax | 1,336,412 | 1,182,968 |
| Gaming machine tax | 734,461 | 715,054 |
| Gold Lotto | 272,509 | 221,960 |
| Casino tax | 109,480 | 104,092 |
| Golden Casket | 31,298 | 33,481 |
| Keno tax | 20,353 | 20,282 |
| Wagering tax | 75,475 | 9,452 |
| Other taxes | 1,296 | 1,961 |
| | 11,527,741 | 10,734,377 |
| ***Levies*** | | |
| Health services levy | 89,394 | 84,549 |
| | 89,394 | 84,549 |
| | 11,617,135 | 10,818,926 |

**Accounting policy – Taxes**

The main revenue streams and the governing Acts which underpin them include:

- *Duties Act 2001*
- *Payroll Tax Act 1971*
- *Land Tax Act 2010*
- *Taxation Administration Act 2001*
- *Local Government Act 2009 (National Tax Equivalents Regime (NTER))*
- *Gaming Machine Act 1991, Casino Control Act 1982, Keno Act 1996, Lotteries Act 1997 and Wagering Act 1998 (administered by The Office of Liquor and Gaming Regulation (OLGR))*

**30 Taxes (continued)**

Revenue is recognised when one or more of the following events are 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 online), predominantly for payroll tax and duties. Additional revenue is recognised upon amended assessment
- The assessment is issued because of Commissioner-assessed transactions or following compliance activities such as reviews and audits, predominantly for land and gaming taxes
- Tax penalty and interest revenue is recognised when raised, when an assessment becomes overdue or further enforcement activity commences.

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |

**31 Royalties**

| | | |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| Mining royalties | 5,183,244 | 4,263,206 |
| | 5,183,244 | 4,263,206 |

**Accounting policy – Royalties**

The main revenue streams and the governing Acts which underpin them include:

- *Mineral Resources Act 1989, Petroleum and Gas (Production and Safety Act) 2004*
- *Taxation Administration Act 2001*

Revenue is recognised when one or more of the following events are 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 online). Additional revenue is recognised upon amended assessment
- The assessment is issued because of Commissioner-assessed transactions or following compliance activities such as reviews and audits
- Tax penalty and interest revenue is recognised when raised, when an assessment becomes overdue or further enforcement activity commences.

**32 Interest**

| | | |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| Interest from investments | 10,144 | 13,825 |
| Interest from trust funds * | 18,885 | 16,623 |
| Time value financial assets (non-cash) | 3,242 | 3,915 |
| Interest from loans | 1,028 | 1,097 |
| Other | .. | 120 |
| | 33,299 | 35,580 |

* Interest collected from Trust funds under the *Property Occupations and Motor Dealers and Chattel Auctioneers Act 2014*.

## 33 Appropriation revenue

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| Budgeted administered item appropriation and equity | 6,724,751 | 6,194,203 |
| Transfer (to)/from other departments | .. | 14,667 |
| Transfer (to)/from other heading | (4,464) | .. |
| Lapsed appropriation | (231,522) | (219,792) |
| Unforeseen expenditure | .. | .. |
| **Total administered item receipts including equity** | 6,488,765 | 5,989,078 |
| Less opening balance of administered item receivable | .. | .. |
| Plus opening balance of administered deferred appropriation payable | 82,064 | 68,040 |
| Less closing balance of administered deferred appropriation payable | (14,543) | (82,064) |
| **Net appropriation revenue** | 6,556,286 | 5,975,054 |
| Plus deferred appropriation expense payable to Consolidated Fund | 14,543 | 82,064 |
| **Total administered appropriation revenue recognised in the Statement of Comprehensive Income including equity** | 6,570,829 | 6,057,118 |
| This is represented by: | | |
| **Administered item revenue recognised in Statement of Comprehensive Income** | 5,827,870 | 5,944,629 |
| Appropriated equity adjustment recognised in equity injection/(withdrawal) | 742,959 | 112,489 |
| **Total administered appropriation revenue recognised in the Statement of Comprehensive Income including equity** | 6,570,829 | 6,057,118 |

## 34 Other revenue

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| SPER fines | 239,114 | 219,731 |
| Competitive neutrality fees | 155,936 | 137,846 |
| Proceeds of crime from the Public Trustee | 8,045 | 8,137 |
| Miscellaneous receipts | 16,043 | 15,336 |
| | 419,138 | 381,050 |

**Accounting policy – Other revenue and user charges and fees**

The *State Penalties Enforcement Act 1999* largely covers administrative arrangements for the enforcement and recovery of court ordered fines, related levies and unpaid infringement notices. Revenue is recognised when the unpaid penalty, fine or levy (such as court, traffic offences and tolling fines) has been transferred and registered with SPER. Additional income from enforcement fees on overdue fines is recognised when they are subject to further enforcement action.

Administered user charges and fees primarily relate to SPER administration fees which are brought to account when the underlying transaction or event which gives rise to the right to collect the revenue occurs and can be measured reliably. This occurs on registration of the default certificate where the amount unpaid is increased by the amount of the registration fee.

Competitive neutrality fees are a requirement for government business activities to pay taxes (or tax equivalents) to remove benefits (and costs) as a result of their public ownership which accrue to government business activities when competing with the private sector.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|

## 35 Supplies and services

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| GST administration expense remitted to the Commonwealth | 120,203 | 126,477 |
| Reinsurance expense | 25,720 | 25,213 |
| Administration fees | 1,410 | 1,432 |
| Other | 4,610 | 4,733 |
| | 151,943 | 157,855 |

## 36 Impairment losses on receivables

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| Impairment losses on receivables – Taxation | 5,518 | 10,572 |
| Impairment loss reversals - SPER | (19,900) | (71,000) |
| Bad debts written off * | 40,341 | 148,442 |
| | 25,959 | 88,014 |

* Debt Write Off Guidelines 1/2013, enables the SPER Registrar to write off bad debts in all circumstances in which it is unlikely the debts could be recovered cost effectively. Includes bad debts written off directly, not through provision for impairment, $6.48 million (refer to note 40).

## 37 Finance/borrowing costs

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| Interest on loans – QTC | 1,211,391 | 1,305,337 |
| Interest paid by Treasury Offset Bank Account | 2,539 | 1,856 |
| Interest on loans – Commonwealth Government | 999 | 1,063 |
| Interest - other | 68,644 | 57,565 |
| Administration fees | 20,631 | 21,845 |
| Unwind concessional loan discount - Commonwealth borrowings | 1,928 | 2,295 |
| Concessional loan discount - NDRRA loans * | 417 | (166) |
| | 1,306,549 | 1,389,795 |

* represents the discount on initial recognition of NDRRA loans.

**Accounting policy – Finance/borrowing costs**

Finance/borrowing costs are recognised in the period in which they are incurred. This includes amortisation of discounts or premiums relating to borrowings. These costs are incurred on the Treasury Offset Account (refer Note 39 Whole-of-government TOA arrangements) and whole-of-government borrowings, GOC's Advance and Commonwealth borrowings (refer note 43).

| | 2019 $'000 | 2018 $'000 |
|---|---|---|

## 38 Other expenses

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| Superannuation benefit payments | 1,747,067 | 1,720,696 |
| Annual leave central scheme claims paid | 1,829,207 | 1,716,867 |
| Long service leave reimbursements | 450,651 | 411,868 |
| Queensland Government Insurance Fund claims | 145,232 | 131,209 |
| Ex-gratia payments * | 8,404 | 7,270 |
| Sundry | 15,910 | 82,539 |
| | 4,196,471 | 4,070,449 |

* A portion of dividends and tax equivalent payments received by the State under the National Tax Equivalents Regime are paid to local governments via ex gratia payments from Treasury administered.

### Accounting policy – Other expenses

*Annual Leave Central Scheme claims paid and Long Service Leave Reimbursements*

Annual leave and long service leave claims paid represent quarterly reimbursements to agencies from the Annual Leave and Long Service Leave Central Schemes administered by QSuper. These are recognised as expenses in the period when they are reimbursed. The scheme is funded by annual leave and long service leave levies paid by agencies and reimbursements are sought from the scheme for actual leave payments made to employees and associated on-costs, quarterly in arrears (Refer to Note 8).

*Superannuation benefit payments*

Superannuation benefit payments are recognised in the period when they are paid to QSuper. These represent proportional funding for superannuation defined benefit payments for retirement benefit liabilities held by the State for the State Public Sector Superannuation Scheme, pensions provided in accordance with the *Judges' (Pensions and Long Leave) Act 1957* (Judges' Scheme) and the Energy Super Fund (ESF).

## 39 Cash assets

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| Cash at bank | (3,754,475) | (3,825,484) |
| Comprised of: | | |
| Whole-of-Government Treasury Offset arrangement * | (3,866,215) | (3,899,974) |
| Other administered bank accounts | 111,740 | 74,490 |
| | (3,754,475) | (3,825,484) |

* 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 QTC Working Capital Facility. This overdraft facility is part of an offset arrangement with other departmental bank accounts and is considered 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, Treasury has established another offset arrangement with the Commonwealth Bank of Australia to maximise interest earned on surplus cash balances held by departmental bank accounts that do not fall within the whole-of-government offset arrangement.

The QTC Cash Advances Fund is utilised to transfer government-owned corporations' surplus funds to the Treasury offset arrangement (refer note 43).

**Accounting policy – Cash assets (continued)**

The QTC Working Capital Facility is used for short term borrowings. The fair value of the borrowings in the QTC Working Capital Facility at 30 June 2019 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 1.5% and 2.14% (2018: between 1.5% to 1.8%) along with an administration margin of 0.10% (2018: 0.10%).

A post balance date transfer of $375 million (2018: $0.5b) occurred from the QTC borrowings to the whole-of-government Treasury Offset Arrangement in line with Treasury's operating requirements, also refer note 43.

**40 Receivables**

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| ***Current*** | | |
| Debtors* | 1,318,312 | 1,250,928 |
| Less allowance for impairment* | (369,364) | (390,258) |
| | 948,948 | 860,670 |
| Competitive neutrality fees | 39,077 | 36,002 |
| Other advances | 18,787 | 19,672 |
| Sundry receivable | 757 | 27,695 |
| GST input tax credits receivable | 377 | 249 |
| | 58,998 | 83,618 |
| | 1,007,946 | 944,288 |
| ***Non-current*** | | |
| Other advances | 62,249 | 75,003 |
| Sundry receivable | .. | 669 |
| | 62,249 | 75,672 |
| | 1,070,195 | 1,019,960 |

* The debtors balance includes receivables of $1,037.0 million (2018: $1,006.7 million) for SPER fines. As at 30 June 2019, a loss allowance of $325.1 million is recognised for the fines receivable (2018: $345.0 million) representing 31% of the total amount receivable (2018: 34%).
The receivables other than debtors do not have any loss allowance as they are inter-agency receivables between Treasury, other departments and GOCs.

| **Movements in allowance for impairment of receivables** | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Opening balance * | 383,746 | 450,803 |
| Amounts written off during the year | (33,861) | (20,054) |
| OIR MoG transfer out | .. | (117) |
| Increase/(decrease) recognised in Statement of Comprehensive Income ** | 19,479 | (40,374) |
| Balance at 30 June | 369,364 | 390,258 |

* The opening balance for 2019 reflects the adoption of AASB 9, (refer note 1(i)-2).
** does not include amounts written off directly to bad debts expense, $6.48 million, (refer note 36).

**Accounting policy - Receivables**

Administered debtors for taxes and royalties are recognised in line with revenue criteria, explained in notes 30–31.

## 40 Receivables (continued)

Other advances relating to Natural Disaster Relief and Recovery Arrangement (NDRRA) loans are recognised when the State provides upfront funding to Queensland Rural and Industry Development Authority (QRIDA) for disaster recovery relief. At an undetermined time in the future the Commonwealth will provide a sum of funding, classified as a concessional loan to the State. When this occurs a corresponding Commonwealth borrowing is recognised (refer note 43). Principal repayments on advances made to QRIDA become payable within 2 years and interest repayments 3 years after the Commonwealth contribution is received.

### *Credit risk exposure of receivables*

Treasury manages credit risk using a credit management strategy. This strategy focuses on the prompt collection of revenues due and payable to Treasury and follow up of outstanding fees and charges within specified timeframes. Exposure to credit risk is monitored on an ongoing basis.

Risk assessments are performed upon non-payment of debt and maintained in the State Revenue Risk Register with assigned risk ratings. Under this risk based revenue management framework compliance plans are developed with reference to the debt management strategies.

A number of debt collection measures are undertaken including the exercising of legislative powers contained within the *Taxation Administration Act 2001* and the *State Penalties Enforcement Act 1999*, prior to impairing debt. If no expected loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If Treasury determines that an amount owing by such a debtor does become uncollectable, the amount is impaired, then subsequently recognised as a bad debt expense and written off directly against receivables. In other cases where a debt becomes uncollectable but the uncollectable amount exceeds the amount already allowed for impairment of that debt, the excess is recognised as a bad debt expense and written off directly against receivables.

An allowance for impairment of taxes and royalties' receivables is calculated based on debt type using an expected credit loss percentage by age or individually assessed. For those debts where an expected credit loss percentage is used to calculate impairment, the historical credit loss experienced over a four year period is adjusted by current conditions and forward-looking information on macro-economic factors affecting collectability of debts. The customer groups within OSR and SPER were determined by debt type and whether it consisted of high or low volume transactions. The provision matrix methodology was applied for high volume transactions and the low volume transactions were individually assessed. Treasury has identified employment growth, housing upturn/downturn, interest rates movement and population growth to be the relevant economic factors affecting taxes. The expected credit loss percentage is the average rate across the debts. Individually assessed debts are reviewed and a percentage loss is applied to each based on collectability.

Set out below is the credit risk exposure on Treasury's administered receivables. The comparative disclosure for 2018 is made under AASB 139 impairment rules, where receivables are assessed individually for impairment. The total gross receivables excludes receivables of $105 million that do not have any loss allowance.

| ***OSR debtors - assessed collectively using a provision matrix*** | **2019** | | | **2018** | | |
|---|---|---|---|---|---|---|
| **Administered on behalf of the whole-of-government** | **Gross Receivable $'000** | **Loss Rate %** | **Expected credit losses $'000** | **Gross Receivables $'000** | **Impairment Allowance $'000** | **Carrying amount $'000** |
| Not yet due | 53,526 | 0.2 | 121 | .. | .. | .. |
| Less than 30 days | 17,191 | 5.5 | 950 | .. | .. | .. |
| 30 to 60 days | 5,641 | 20.2 | 1,137 | .. | .. | .. |
| 61 to 90 days | 9,317 | 28.8 | 2,685 | .. | .. | .. |
| Greater than 90 days | 76,502 | 33.3 | 25,501 | .. | .. | .. |
| **Total** | 162,177 | | 30,394 | .. | .. | .. |

| ***OSR debtors - assessed individually*** | **2019** | | | **2018** | | |
|---|---|---|---|---|---|---|
| **Administered on behalf of the whole-of-government** | **Gross Receivables $'000** | **Allowance for impairment $'000** | **Carrying amount $'000** | **Gross Receivables* $'000** | **Allowance for impairment $'000** | **Carrying amount $'000** |
| Not yet due | 18 | (18) | .. | 200 | (200) | .. |
| Less than 30 days | 15 | (15) | .. | 844 | (844) | .. |
| 30 to 60 days | .. | .. | .. | 530 | (530) | .. |
| 61 to 90 days | 463 | (463) | .. | 533 | (533) | .. |
| Greater than 90 days | 13,374 | (13,374) | .. | 43,151 | (43,151) | .. |
| **Total** | 13,870 | (13,870) | .. | 45,258 | (45,258) | .. |

## 40 Receivables (continued)

SPER debts are impaired on consideration of the best estimate of expected future credit losses and the likelihood of collectability with reference to historical activity for the specific debt types being assessed. Historical activity of the specific debt is determined based on a debt resolution rate. Debt resolution rate is the average rate of debt resolved through payment, non-monetary satisfaction, recalled or withdrawn by issuing agencies, or written off as unrecoverable. Management judgement is required in assessing the debt resolution rates.

| *SPER debtors - assessed collectively using a provision matrix* | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **Administered on behalf of the whole-of-government** | **Gross Receivable $'000** | **Loss Rate %** | **Expected credit losses $'000** | **Gross Receivables $'000** | **Impairment Allowance $'000** | **Carrying amount $'000** |
| Greater than 90 days* | 1,036,977 | 31.4 | 325,100 | 345,000 | (345,000) | .. |
| **Total** | 1,036,977 | | 325,100 | 345,000 | (345,000) | .. |

* Majority of SPER debts are over 90 days when they are referred to the debt registry from the referring agencies.

| **Administered on behalf of the whole-of-government** | 2018 |
|---|---|
| **Ageing of Past Due but not Impaired receivables *** | $'000 |
| **Overdue** | |
| Less than 30 days | 31,586 |
| 30 to 60 days | 22,762 |
| 61 to 90 days | 31,104 |
| Greater than 90 days | 679,185 |
| **Total overdue** | 764,637 |

*This is only applicable for 2018 disclosure due to the change in impairment methodology arising from adoption of AASB 9.

## 41 Other current assets

| | **2019 $'000** | **2018 $'000** |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| Accrued revenue | 147 | 148 |
| Prepayments | 8,662 | 8,320 |
| | 8,809 | 8,468 |

## 42 Payables

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| Deferred appropriation payable to Consolidated Fund | 14,543 | 82,064 |
| Grants payable | 112,000 | 80,903 |
| Trade creditors | 757 | 931 |
| Other creditors | 5,012 | 5,002 |
| | 132,312 | 168,900 |

## 43 Interest Bearing Liabilities

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| **Current** | | |
| Advances payable to GOC's* | 2,267,920 | 2,284,333 |
| Commonwealth borrowings | 13,222 | 14,012 |
| | 2,281,142 | 2,298,345 |
| **Non-current** | | |
| QTC borrowings ** | 29,037,230 | 28,195,628 |
| Commonwealth borrowings | 47,248 | 58,890 |
| Less concessional loan discount and unwind | (2,318) | (4,123) |
| | 29,082,160 | 28,250,395 |

**Accounting policy – Interest bearing liabilities**

Borrowings are initially recognised at fair value, plus any transaction costs, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of a financial instrument to the net carrying amount of that instrument. The fair value of borrowings subsequently measured at amortised costs is set out in note 46 (e).

*Government owned corporations (GOCs) are required to make any surplus cash available to the General Government Sector through modified set-off banking arrangements. Advances are made to the Treasury Offset Bank Account Arrangement (refer note 39). QTC charge interest at rates between 2.37% and 3.21% (2017–18: between 2.23% and 4.1%) along with an administration margin of 0.15% (2017–18: 0.15%).

QTC borrowings include fixed-rate loans transferred to Treasury amounting to $738.4 million from the Department of Transport and Main Roads ($632.6m), Department of Housing and Public Works ($7.9 million), Department of Education ($37.6 million), Department of State Development, Manufacturing, Infrastructure and Planning ($56.1 million) and Public Safety Business Agency ($4.2 million).

**Interest is charged on whole-of-government borrowing with QTC at rates of between 3.30% and 4.35% (2017-18: between 3.56% and 4.48%) along with an administration margin at the rate of 0.07% (2017-18: between 0.07% and 0.15%) which is accrued and paid quarterly to QTC.

## 44 Other liabilities

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Administered on behalf of the whole-of-government** | | |
| Unearned revenue | 34,962 | 37,840 |
| Sundry liabilities | 611 | 450 |
| | 35,573 | 38,290 |

**Accounting policy – Unearned revenue**

Administered unearned revenue is recognised when money is receipted prior to the recognition criteria being met for revenue, as explained in notes 30-31.

## 45 Contingencies

**Administered on behalf of whole-of-government**

**Litigation in progress**

As at 30 June 2019, the following number of cases were filed in the courts:

| | Cases | Estimated Amount $'000 |
|---|---|---|
| Supreme Court | 7 | 3,621 |
| Civil and Administrative Tribunal | 13 | 2,562 |
| **Total** | 20 | 6,183 |

These cases relate to revenue collected by the Office of State Revenue. Treasury'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 Treasury's financial statements.

## 46 Financial instruments

### *(a) Categorisation of financial instruments*

**Administered on behalf of the whole-of-government**

| Category | Notes | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 39 | (3,754,475) | (3,825,484) |
| Receivables* | 40 | 1,070,195 | 1,019,959 |
| Other accrued revenue | 41 | 147 | 148 |
| **Total** | | (2,684,133) | (2,805,377) |
| **Financial liabilities** | | | |
| Payables | 42 | 132,312 | 168,900 |
| Transfer to government payable | | 960,101 | 903,842 |
| Advances payable to GOCs | 43 | 2,267,920 | 2,284,333 |
| QTC borrowings | 43 | 29,037,230 | 28,195,628 |
| Commonwealth borrowings held at amortised cost* | 43 | 58,152 | 68,779 |
| Other liabilities | 44 | 611 | 450 |
| **Total** | | 32,456,326 | 31,621,932 |

*Natural Disaster Relief and Recovery Arrangements loans (NDRRA) are carried at amortised cost, $75.7 million (2018: $88.6 million) with the Commonwealth portion of $58.1 million (2018: $68.7 million) and State portion of $17.6 million (2018: $19.9 million). The book value of NDRRA loans amount to $80.5 million (2018: $96.1 million) with the State portion of $20.0 million (2018: $23.2 million) and a Commonwealth portion of $60.5 million (2018: $72.9 million). Interest is charged on NDRRA loans at a predetermined rate and recognised as an expense as it accrues. 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 2018-19 the interest rate was 1.37% (2018: 1.25%), which was calculated as 50% of the 10-year Treasury bond rate, averaged over the three-month period between April and June 2018.

### *(b) Financial risk management*

Treasury's activities expose it to a variety of financial risks – credit risk, liquidity risk and market risk. For discussion on managing credit risk (refer to note 40).

Treasury adopts a risk based revenue management framework in conjunction with debt management strategies to manage credit risk.

The management of financial risks is integral to Treasury's overall governance framework. Treasury has adopted various strategies for the mitigation of each risk category, including active monitoring by the Fiscal Strategy Division of borrowings by the State on behalf of whole-of-government.

It is assisted in the discharge of these responsibilities through the provision of professional advice and assistance by the QTC (borrowings and short-term investments).

Treasury's internal financial reporting framework and oversight by the Executive Leadership Team also contribute to the effective management of financial risks.

### *(c) Liquidity risk*

Treasury is exposed to liquidity risk in respect of its payables, Commonwealth borrowings, borrowings from QTC for the Floating Rate Government Debt Pools and Advances payable to GOCs.

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

## 46 Financial instruments (continued)

### *(c) Liquidity risk (continued)*

QTC borrowings are interest only with no fixed repayment date for the principal component. For the purposes of completing the maturity analysis, the principal component of these loans has been included in the more than five-year time band with no interest payment assumed in this time band.

**Administered on behalf of the whole-of-government**

| | Notes | 2019 payable in < 1 year $'000 | 1 - 5 years $'000 | > 5 years $'000 | Total undiscounted cash flow $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Payables | 42 | 132,312 | .. | .. | 132,312 | 132,312 |
| Transfer to government payable | | 960,101 | .. | .. | 960,101 | 960,101 |
| Commonwealth borrowings* | 43 | 14,050 | 39,756 | 9,142 | 62,948 | 60,470 |
| Advances payable to GOCs | 43 | 2,267,920 | .. | .. | 2,267,920 | 2,267,920 |
| QTC borrowings | 43 | 1,187,632 | 4,749,306 | 29,007,887 | 34,944,825 | 29,037,230 |
| Other liabilities | 44 | 611 | .. | .. | 611 | 611 |
| **Total** | | 4,562,626 | 4,789,062 | 29,017,029 | 38,368,717 | 32,458,644 |

**Administered on behalf of the whole-of-government**

| | Notes | 2018 payable in < 1 year $'000 | 1 - 5 years $'000 | > 5 years $'000 | Total undiscounted cash flow $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Payables | 42 | 168,900 | .. | .. | 168,900 | 168,900 |
| Transfer to government payable | | 903,842 | .. | .. | 903,842 | 903,842 |
| Commonwealth borrowings* | 43 | 14,923 | 40,425 | 20,618 | 75,966 | 72,902 |
| Advances payable to GOCs | 43 | 2,284,333 | .. | .. | 2,284,333 | 2,284,333 |
| QTC borrowings | 43 | 1,187,885 | 4,749,129 | 28,165,988 | 34,103,002 | 28,195,628 |
| Other liabilities | 44 | 450 | .. | .. | 450 | 450 |
| **Total** | | 4,560,333 | 4,789,554 | 28,186,606 | 37,536,493 | 31,626,055 |

*Carrying amount excludes amortised cost component of Commonwealth borrowings.

### *(d) Market risk*

While Treasury (administered) does not trade in foreign currency, the mining industry is impacted by changes in the Australian dollar exchange rate and commodity prices, which may impact the royalty revenue received. Treasury is exposed to interest rate risk through its borrowings, loans and advances and cash deposited in interest bearing accounts.

***Interest rate sensitivity analysis***

The following interest rate sensitivity analysis depicts the outcome on comprehensive income if interest rates were to change by +/- 1% from the year end rates applicable to Treasury's financial assets and liabilities. This is mainly attributable to Treasury's exposure to variable interest rates on its borrowings from QTC, the Commonwealth and cash holdings.

## 46 Financial instruments (continued)

### *(d) Market risk (continued)*

*(d) **Interest rate sensitivity analysis***

**Administered on behalf of the whole-of-government**

| Financial instruments | Carrying amount | 2019 Interest rate risk | | | |
|---|---|---|---|---|---|
| | | -1% | | 1% | |
| | | Transfer to government | Equity | Increase in appropriation revenue | Equity |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cash | (3,866,215) | 38,662 | 38,662 | (38,662) | (38,662) |
| Receivables | | | | | |
| Loans and advances | 60,470 | (605) | (605) | 605 | 605 |
| Interest bearing liabilities | | | | | |
| Commonwealth borrowings | 60,470 | 605 | 605 | (605) | (605) |
| Advances payable to GOCs | 2,267,920 | 22,679 | 22,679 | (22,679) | (22,679) |
| QTC borrowings – Fixed Rate Debt Pool | 7,898,425 | .. | .. | .. | .. |
| QTC borrowings – General Debt Pool (floating rate) | 21,138,805 | 16,300 | 16,300 | (14,589) | (14,589) |
| **Potential impact** | | 77,641 | 77,641 | (75,930) | (75,930) |

**Administered on behalf of the whole-of-government**

| Financial instruments | Carrying amount | 2018 Interest rate risk | | | |
|---|---|---|---|---|---|
| | | -1% | | 1% | |
| | | Transfer to government | Equity | Increase in appropriation revenue | Equity |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cash | (3,899,974) | 39,000 | 39,000 | (39,000) | (39,000) |
| Receivables | | | | | |
| Loans and advances | 72,902 | (729) | (729) | 729 | 729 |
| Interest bearing liabilities | | | | | |
| Commonwealth borrowings | 72,902 | 729 | 729 | (729) | (729) |
| Advances payable to GOCs | 2,284,333 | 22,843 | 22,843 | (22,843) | (22,843) |
| QTC borrowings – Fixed Rate Debt Pool | 7,898,663 | .. | .. | .. | .. |
| QTC borrowings – General Debt Pool (floating rate) | 20,296,965 | 14,073 | 14,073 | (12,821) | (12,821) |
| **Potential impact** | | 75,916 | 75,916 | (74,664) | (74,664) |

### *(e) Fair value*

#### *Fair value hierarchy*

Financial instruments measured at fair value have been classified in accordance with the hierarchy described in *AASB 13 Fair Value Measurement*. The fair value hierarchy is categorised into three levels based on the observability of the inputs to fair valuation techniques.

- Level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities.

## 46 Financial instruments (continued)

### *(e) Fair value (continued)*

- Level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly.
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

According to the above hierarchy, the fair values of each class of financial instrument carried at fair value are as follows:

| Class | | Classification according to fair value hierarchy | | | 2019 Total carrying amount |
|---|---|---|---|---|---|
| | | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | $'000 |
| **Financial assets and liabilities** | | | | | |
| Cash and cash equivalent | | | | | |
| Other administered bank accounts | | 111,740 | .. | .. | 111,740 |
| Whole-of-government Treasury Offset Arrangement | | (3,866,215) | .. | .. | (3,866,215) |
| Interest bearing liabilities - Advances payable to GOCs | | 2,267,920 | .. | .. | 2,267,920 |
| **Total** | | **(1,486,555)** | .. | .. | **(1,486,555)** |

| Class | | Classification according to fair value hierarchy | | | 2018 Total Carrying Amount |
|---|---|---|---|---|---|
| | | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | $'000 |
| **Financial assets and liabilities** | | | | | |
| Cash and cash equivalent | | | | | |
| Other administered bank accounts | | 74,490 | .. | .. | 74,490 |
| Whole-of-government Treasury Offset Arrangement | | (3,899,974) | .. | .. | (3,899,974) |
| Interest bearing liabilities - Advances payable to GOCs | | 2,284,333 | .. | .. | 2,284,333 |
| **Total** | | **(1,541,151)** | .. | .. | **(1,541,151)** |

Treasury 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 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 QTC. 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***

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Carrying amount $'000 | Fair value $'000 | Carrying amount $'000 | Fair value $'000 |
| **Financial assets** | | | | |
| Receivables | | | | |
| Loans and advances* | 85,814 | 86,413 | 102,154 | 98,504 |
| | 85,814 | 86,413 | 102,154 | 98,504 |
| **Financial liabilities** | | | | |
| Interest bearing liabilities – Commonwealth borrowings* | 60,470 | 61,352 | 72,902 | 70,468 |
| Interest bearing liabilities – QTC borrowings | 29,037,230 | 33,173,021 | 28,195,628 | 30,400,102 |
| **Total** | 29,097,700 | 33,234,373 | 28,268,530 | 30,470,570 |

* Carrying amount excludes amortised cost component of Loans and advances and Commonwealth borrowings.

## 47 Budget vs Actual comparison

***A budget vs actual comparison, and explanations of major variances, has not been included for the Statement of Cash Flows, as major variances relating to that statement have been addressed in explanations of major variances for other statements.***

***Explanation of major variances for Statement of Comprehensive Income***

Note 31: The increase reflects the impact of higher coal prices on coal royalties, partially offset by less than anticipated mining royalties.

Note 32: The increase is mainly due to higher than budgeted interest on Treasurer's cash balances.

Note 35: The decrease is mainly due to lower GST administration expense remitted to the Commonwealth ($6.397M) and lower reinsurance expenses of $4.480M. This is partially offset by higher valuation fees.

Note 36: The decrease is mainly due to lower than anticipated impairment losses for the State Penalties Enforcement Registry receivables ($25.349M) as a result of increased debt recovery activity. Also contributing is lower than anticipated impairment loss for the Office of State Revenue receivables ($7.914M).

Face Grants and subsidies - The decrease is mainly due to lower than anticipated grant payments associated with the Jobs and Regional Growth Fund ($53.511M) and the First Home Owners' Grant ($8.749M).

***Explanation of major variances for Statement of Financial position***

Note 39: The decrease is mostly attributable to the Treasury Offset Account (TOA). The purpose of TOA is to act as an offset account against departmental and consolidated fund cash balances under the whole-of-government cash offset arrangements to facilitate the management of whole-of-government cash position. As such, the balances in TOA fluctuate from year to year depending on the balances of other accounts within the whole-of-government cash offset arrangements.

Note 40: The decrease is primarily due to lower than anticipated mining royalties receivables recognised at year end as a result of re-assessments and finalisation of ongoing matters, partially offset by lower than anticipated impairments for the State Penalties Enforcement Registry receivables as a result of a review into collection rates.

Note 42: The increase is primarily due to $112M GST revenue to be returned to the Commonwealth Government and $14.543M unbudgeted appropriation payable to the Consolidated Fund.

Face Transfers to government payable - The decrease reflects lower than expected administered revenue earned but yet to be transferred to the Consolidated Fund at year end.

Note 43: The increase mainly reflects the higher than budgeted volume of GOC advances.

## 48 Related entity transactions with other government departments

The references to note numbers in the following disclosures may include other items to those listed below that are not classified as material or significant related entity transactions. Note 2 summarises the transfer of assets and liabilities arising from a MoG change.

**Controlled transactions**

To support the Advance Queensland initiative Treasury holds an investment with QIC for the Business Development Fund, which provides early stage co-investment funding to promote angel and venture capital to Queensland based businesses (note 16).

Treasury received revenue from the Department of Education for provision of data for education planning services and QGrant system support services, from Queensland Health for preventative health surveys and from Department of Employment, Small Business and Training for employment related data collection and QGrant system support services (note 4).

Treasury received revenue from the Motor Accident Insurance Commission and Nominal Defendant for corporate support, ICT services and actuarial services (note 4)

Treasury paid the Department of Housing and Public Works for the management of accommodation leases, Queensland Shared Services (QSS) for business service fees and Smart Services Queensland for the outsourcing the SPER contact centre (note 9).

## 48 Related entity transactions with other government departments (continued)

### Controlled transactions (continued)

Treasury paid legal fees to the Department of Justice and Attorney-General for professional services rendered in relation to State Revenue legal cases (note 9).

Treasury paid grants ($1.3 million) and equity withdrawals ($3.9 million) for the development of an ICT system for the delivery of the Financial Assurance Framework Reforms to the Department of Environment and Science (DES) and Department of Natural Resources, Mines and Energy (DNRME). Cash and Non-Cash Surety were also transferred to Treasury from DES and DNRME upon the commencement of the Financial Assurance Provisioning Scheme on 1 April 2019 (note 2 (b)).

Treasury paid grant and equity funding to CleanCo Queensland, a newly established GOC to support the growth of Queensland's renewable energy industry (note 10).

Treasury remitted to the Consolidated Fund the proceeds from the sale of the Investment in PEXA shares (note 25).

The QTH consolidated entity invested funds with the QTC Cash Fund as at 30 June 2019 totalled $93.6 million (2018: $83.0 million) and interest revenue net of management fees received during the year totalled $2.3 million (2018: $1.8 million).

The QTH consolidated entity has loan balances outstanding to QTC as at 30 June 2019 of $112.9 million ($2018: $121.6 million) with interest expense and fees totalling $5.7 million (2018: $6.1 million) capitalised against these loans.

QTC provides company secretariat and accounting services to the QTH consolidated entity. A fee of $395,088 (2018: $370,240) was charged for these services.

### Administered transactions

Treasury administers the Queensland Government Insurance Fund, which receives premiums from and pays claims to member agencies relating to a full suite of insurance lines (note 38).

Treasury operates a whole-of-government offset arrangement, which includes the Treasury Offset Bank Account and a Working Capital Facility. Note 39 outlines the key terms and conditions of these arrangements which covers advances and principal repayments from the General Government Debt Pool (GDP). This includes advances from GOCs under the GOC cash offset arrangements (note 43). Treasury has received fixed rate loans from the Department of Transport and Main Roads, Department of Housing and Public Works, Department of Education, Department of State Development, Manufacturing, Infrastructure and Planning and Public Safety Business Agency which were transferred to the GDP (note 43).

Treasury administers the collection of competitive neutrality fees from GOCs under the National Competition Policy (Note 34).

Treasury’s State Revenue collection is responsible for administering local government tax equivalents under the *Local Government Act 2009* (note 30). Commercialised business units that are in scope under these administrative arrangements are subject to payroll tax, land tax, vehicle registration duty, insurance duty and transfer duty ($181.7 million).

Treasury receives appropriation revenue (note 3 and 33) provided in cash via the state’s Consolidated Fund.

Treasury pays interest for borrowings it undertakes with QTC (note 37), note 39 and 43 outlines the key terms and conditions of those borrowings.

Treasury collects state revenues and transfers to the Consolidated Fund, refer to the Administered Statement of Comprehensive Income.

Treasury administers the provision of State and Commonwealth loans ($3.3 million) and grants ($9.3 million) for NDRRA to Queensland Reconstruction Authority and Queensland Rural and Industry Development Authority (QRIDA) (formerly Queensland Rural Adjustment Authority (note 40).

Treasury administers grants to statutory bodies including Queensland Productivity Commission ($4.4 million), Queensland Competition Authority ($4.0 million) and the Cross River Rail Delivery Authority (CRRDA) of $12 million. Refer to grants and subsidies on the Administered Statement of Comprehensive Income. Equity withdrawal payments of $721 million were also made to CRRDA.

Treasury administers the receipt of unclaimed monies and proceeds of crime from the Public Trustee Office (PTO) for transfer to the Consolidated Fund (note 34).

## 49 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.

### 49 Transfer payments (continued)

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
- 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 2018-19 totalled $2.801 billion (2017–18: $2.559 billion):

- Department of Education (quality schools funding, $2.765 billion (2017–18: $2.548 billion))
- Department of Agriculture and Fisheries (pest and disease preparedness and response programs, $30.137 million (2017–18: $10.647 million))
- Department of Local Government, Racing and Multicultural Affairs (National Insurance Affordability Initiative, $4.980 million (2017-18: Nil))

### 50 Agency transactions

Treasury currently acts as an agent and processes grant payments on behalf of a number of Queensland government departments. These transactions do not form part of Queensland Treasury's accounts and are instead reported by the various departments. For the 2018-19 financial year the total value of grants paid was $282.638 million (2017-18: $249.462 million). The increase in 2018-19 is predominantly due to the inclusion of Back to Work grants paid across the full financial year ($78.350 million) as opposed to the inclusion of grants only paid 1 January 2018 to 30 June 2018 ($49.079 million) in 2017-18, following a MoG change which resulted in responsibility for the program moving from Treasury to the Department of Employment, Small Business and Training from 1 January 2018.

QSuper operates the Employers Contribution bank account on behalf of Treasury, in accordance with the Financial Accountability Act 2009. The account is utilised to provide for the whole-of-government Long Service and Annual Leave Central Schemes and Employer Superannuation Contributions. The account balance as at 30 June 2019 was $6.927 million (2017-18 $3.481 million), which represents money in transit to be identified as owing to either the Consolidated Fund and/or other Government Agencies.

### 51 Queensland Government e-merchant program

Treasury acts as a custodian over the settlement account (held by the third party, Cuscal) for the Queensland Government's pre-paid debit card program. At reporting date, the balance in the account is $0.665 million (2017–18: $0.853 million) including interest earned for the year, $9,563.29 (2017–18: $10,760.81), which represents unspent funds advanced by agencies.

**Accounting policy**

Treasury administers certain transactions and balances in a trust or fiduciary capacity such as the settlement account held by the third party Cuscal for the Queensland Government e-merchant program.

### 52 Trust transactions and balances

Treasury also acts as an agent in the collection and distribution of unpaid infringement fines and court ordered monetary amounts for various external parties including local government bodies, universities and individuals.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Opening balance | 15,226 | 17,415 |
| Collections: | | |
| Cash receipts | 46,639 | 43,831 |
| Debtor overpayments | 361 | (973) |
| Cash not receipted | (54) | (626) |
| Cash not banked | 18 | 107 |
| Other | 44 | 37 |
| Distributions to principals | (49,210) | (44,565) |
| Balance 30 June | 13,024 | 15,226 |

As Treasury performs only a custodial role in respect of these transactions and balances, they are not recognised in the financial statements. While these transactions and balances are in the care of Treasury, they are subject to Treasury's normal system of internal control and external audit by the Auditor-General (notes 49–52).

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

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

(b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Treasury for the financial year ended 30 June 2019 and of the financial position of Treasury at the end of that year.

The Under Treasurer, as the Accountable Officer of the Department, acknowledge(s) responsibility under s.8 and s.15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

| | |
|---|---|
| F. Carroll FCCA, AITI, CA, GAICD | D. Brooks BComm, FCPA |
| Under Treasurer | Chief Finance Officer |
| 26 August 2019 | 26 August 2019 |

# INDEPENDENT AUDITOR'S REPORT

**To the Accountable Officer of Queensland Treasury**

**Report on the audit of the financial report**

**Opinion**

I have audited the accompanying financial report of Queensland Treasury (the parent) and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the parent's and group's financial position as at 30 June 2019, and their financial performance and cash flows for the year then ended
b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statements of financial position and statements of assets and liabilities by major departmental services as at 30 June 2019, the statements of comprehensive income, statements of changes in equity, statements of cash flows and statements of comprehensive income by major departmental services for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the certificate given by the Under Treasurer and the Chief Finance Officer.

**Basis for opinion**

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

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

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

**Key audit matters**

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

**Completeness of payroll tax revenue ($4.203 billion as at 30 June 2019)**

*Refer to note 30 in the financial report*

| Key audit matter | How my audit procedures addressed this key audit matter |
|---|---|
| Payroll tax is a material balance of the department. The self-assessed nature of payroll tax increases the risk over completeness of payroll tax revenue collected and accrued, as reported in the administered statement of comprehensive income.<br><br>Completeness of revenue recognised is dependent on whether:<br>• all liable taxpayers have registered to pay payroll tax<br>• the amounts disclosed by taxpayers accurately reflect their operations, and thus the calculation base for the tax is complete.<br><br>The department verifies taxpayer compliance using a risk-management approach, to ensure taxpayers are paying the correct amount of tax.<br><br>The department has implemented an annual compliance program to address this risk. | My procedures included, but were not limited to:<br>• Testing the controls within the revenue management system to confirm the accuracy of the payroll tax calculation.<br>• Reviewing outcomes of Queensland Treasury's compliance program for payroll tax and assessing the extent of historical recoveries to determine the impact on the overall payroll tax revenue.<br>• Performing the following analytical review over payroll tax income:<br>  • analysing and corroborating the year on year trends at business partner level to identify any unusual movements/relationships.<br>  • comparing the trends in external data such as wage growth rate and employment rate to the movement in payroll tax income and corroborating any unusual movements/relationships.<br>• analysing and corroborating the year on year trends between the payroll tax revenue, budgeted payroll tax revenue and the Mid-Year Fiscal and Economic Review (that provides update on the State's economic and fiscal position since the original budget). |

**Impairment of State Penalties Enforcement Registry (SPER) Fines Receivable
(SPER fines revenue $239.1 million for 2018-19; receivables of $1,037.0 million as at 30 June 2019)**

*Refer to notes 34, 36 and 40 in the financial report*

| Key audit matter | How my audit procedures addressed this key audit matter |
|---|---|
| SPER debts are impaired on consideration of the likelihood of collectability with reference to historical activity for the specific debt types being assessed.<br>Management judgement is required in assessing the extent to which debts may be impaired. | My procedures included but were not limited to:<br>• Assessing management's controls over SPER collection and finalisation rates of the referred debts as these impact the determination of the long-term debt finalisation, withdrawal and recall rates.<br>• Obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness.<br>• Recalculating the long-term debt finalisation, withdrawal and recall rates to validate the mathematical accuracy of the model.<br>• Recalculating the impairment charge by applying the long-term debt finalisation, withdrawal and recall rates to the debt pool and comparing the impairment charge to the general ledger. |

### Other information

Other information comprises the information included in the entity's annual report for the year ended 30 June 2019 but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### Responsibilities of the accountable officer for the financial report

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

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

### Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

**Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

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

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

28 August 2019

Brendan Worrall
Auditor General

Queensland Audit Office
Brisbane