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, the department administers transactions and balances in a trust or fiduciary capacity. These are identified in notes 51–54.

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

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

1 William Street
Brisbane Qld 4000

Queensland Treasury and Controlled Entity
Statement of Comprehensive Income
for the year ended 30 June 2018

	Notes	Consolidated Entity 2018 Actual $'000	Consolidated Entity 2017 Actual $'000	Parent Entity 2018 Actual $'000	Parent Entity 2018 Adjusted Budget $'000	Parent Entity 2018 Budget Variance* $'000	Parent Entity 2017 Actual $'000
Income from continuing operations							
Appropriation revenue	3	254,790	241,099	254,790	245,161	9,629	241,099
User charges and fees	4	18,051	30,311	18,051	16,412	1,639	30,311
Grants and other contributions	5	50,802	99,515	50,802	50,663	139	99,515
Interest revenue	6	15,685	15,470	..	..	..	..
Amortisation of unearned revenue		333	328	..	..	..	..
Dividends received		12,578	14,776	..	..	..	..
Other revenue		1,166	1,339	1,118	536	582	1,291
Total revenue		353,405	402,838	324,761	312,772	11,989	372,216
Gain/(loss) on sale/fair value movement of investments	7	(56,574)	29,660	..	..	..	..
Total income from continuing operations		296,831	432,498	324,761	312,772	11,989	372,216
Expenses from continuing operations							
Employee expenses	8	156,349	202,679	156,349	164,292	(7,943)	202,679
Supplies and services	9	130,461	137,641	130,461	131,266	(805)	137,641
Grants and subsidies	10	10,979	11,626	10,979	6,487	4,492	11,626
Impairment expense	11	371	139	371	..	371	139
Depreciation and amortisation		2,757	3,331	2,757	6,516	(3,759)	3,331
Borrowing costs		6,102	6,517	..	..	..	..
Operating leases		371	366	..	..	..	..
Other expenses	12	24,553	18,387	23,844	4,211	19,633	17,619
Total expenses		331,943	380,686	324,761	312,772	11,989	373,035
Total expenses from continuing operations		331,943	380,686	324,761	312,772	11,989	373,035
Operating result from continuing operations before income tax expense		(35,112)	51,812	..	..	..	(819)
Income tax expense	13	(12,523)	12,589	..	..	..	..
Operating result for the year		(22,589)	39,223	..	..	..	(819)
Total comprehensive income		(22,589)	39,223	..	..	..	(819)

* An explanation of major variances is included at Note 30.

The accompanying notes form part of these statements.

Queensland Treasury and Controlled Entity
Statement of Financial Position
as at 30 June 2018

	Notes	Consolidated Entity 2018 Actual $'000	Consolidated Entity 2017 Actual $'000	Parent Entity 2018 Actual $'000	Parent Entity 2018 Adjusted Budget $'000	Parent Entity 2018 Budget Variance* $'000	Parent Entity 2017 Actual $'000
Current assets							
Cash and cash equivalents	14	120,270	130,229	37,247	15,855	21,392	53,116
Receivables	15	12,812	14,569	7,004	6,259	745	9,245
Lease receivables	16	8,665	8,760	..	..	..	..
Other financial assets	17	237,830	294,404	..	..	..	..
Other assets		3,274	4,230	2,993	3,883	(890)	3,925
Total current assets		382,851	452,192	47,244	25,997	21,247	66,286
Non-current assets							
Receivables	15	94,440	92,737	..	..	..	..
Lease receivables	16	112,961	121,625	..	..	..	..
Other financial assets	17	46,463	26,833	46,463	36,832	9,631	26,833
Property, plant and equipment		89	4,211	89	40	49	4,211
Intangibles	18	19,783	10,940	19,783	15,272	4,511	10,940
Deferred tax asset	19	20,564	21,944	..	..	..	..
Total non-current assets		294,300	278,290	66,335	52,144	14,191	41,984
Total assets		677,151	730,482	113,579	78,141	35,438	108,270
Current liabilities							
Payables	20	39,916	34,767	39,455	6,614	32,841	34,320
Accrued employee benefits		4,798	9,109	4,798	4,733	65	9,109
Other current liabilities	21	539	733	197	269	(72)	396
Interest bearing liabilities	23	8,665	8,760	..	..	..	..
Total current liabilities		53,918	53,369	44,450	11,616	32,834	43,825
Non-current liabilities							
Payables	20	4,974	2,796	4,974	..	4,974	2,796
Other non-current liabilities	21	2,039	2,378	..	..	..	..
Deferred tax liabilities	22	29,508	46,480	..	..	..	..
Interest bearing liabilities	23	112,961	121,625	..	..	..	..
Total non-current liabilities		149,482	173,279	4,974	..	4,974	2,796
Total liabilities		203,400	226,648	49,424	11,616	37,808	46,621
Net assets		473,750	503,834	64,154	66,525	(2,371)	61,649
Equity							
Accumulated surplus		334,866	367,455	19,683	20,786	(1,103)	19,683
Contributed equity		138,884	136,379	44,471	45,739	(1,268)	41,966
Total equity		473,750	503,834	64,154	66,525	(2,371)	61,649

* An explanation of major variances is included at Note 30.

The accompanying notes form part of these statements.

Queensland Treasury and Controlled Entity
Statement of Changes in Equity
as at 30 June 2018

	Notes	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
Accumulated surplus					
Balance 1 July		367,455	328,232	19,683	20,502
Operating result from continuing operations		(22,589)	39,223	..	(819)
Dividend paid – Type A shareholders		(10,000)	..	..	..
Balance 30 June		334,866	367,455	19,683	19,683
Contributed equity					
Balance 1 July		136,379	128,428	41,966	34,015
Transactions with owners as owners:					
Appropriated equity injections	3	37,529	13,911	37,529	13,911
Appropriated equity withdrawals	3	(20,733)	(3,460)	(20,733)	(3,460)
Non appropriation equity withdrawal		(3,691)	(2,500)	(3,691)	(2,500)
Net assets transferred in/(out) - Machinery of Government, (Office of Industrial Relations)*		(10,600)	..	(10,600)	..
Balance 30 June		138,884	136,379	44,471	41,966
Total equity		473,750	503,834	64,154	61,649

* 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. Appropriations for equity adjustments are similarly designated, refer note 2(b).

The accompanying notes form part of these statements.

Queensland Treasury and Controlled Entity
Statement of Cash Flows
for the year ended 30 June 2018

		Consolidated Entity		Parent Entity			
		2018	2017	2018	2018	2018	2017
		Actual	Actual	Actual	Adjusted Budget	Budget Variance*	Actual
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Cash flows from operating activities							
Inflows							
Appropriation receipts		238,846	240,396	238,846	245,161	(6,315)	240,396
Grants and other contributions		50,663	114,305	50,663	50,663	..	114,305
User charges and fees		23,630	32,656	23,582	25,654	(2,072)	32,608
GST input tax credits from Australian Taxation Office (ATO)		13,731	12,234	13,007	..	13,007	11,510
Other		1,122	1,341	1,122	522	600	1,341
Interest received		7,990	8,175	..	..	..	..
Outflows							
Employee expenses		(157,529)	(202,240)	(157,529)	(165,700)	8,171	(202,240)
Supplies and services		(132,918)	(148,287)	(131,858)	(131,332)	(526)	(147,247)
Grants and subsidies		(10,979)	(11,626)	(10,979)	(6,487)	(4,492)	(11,626)
GST remitted to ATO		(2,028)	(7,898)	(1,304)	..	(1,304)	(7,171)
Income tax paid		(3,045)	(2,528)	..	..	..	..
Other		(5,006)	(7,635)	(5,006)	(4,211)	(795)	(7,635)
Net cash provided by/(used in) operating activities		24,477	28,893	20,544	14,270	6,274	24,241
Cash flows from investing activities							
Inflows							
Lease payments received		1,288	1,235	..	..	..	..
Proceeds from investments		5,500	5,000	..	..	..	..
Novation payments received		7,472	7,658	..	..	..	..
Dividends received		12,578	14,776	..	..	..	..
Outflows							
Payments for property, plant and equipment		(312)	(1,867)	(312)	(549)	237	(1,867)
Payments for investments		(20,000)	(10,000)	(20,000)	(10,000)	(10,000)	(10,000)
Payments for intangibles		(13,542)	(5,119)	(13,542)	(12,034)	(1,508)	(5,119)
Net cash provided by/(used in) investing activities		(7,016)	11,683	(33,854)	(22,583)	(11,271)	(16,986)
Cash flows from financing activities							
Inflows							
Equity injections		37,529	13,911	37,529	22,203	15,326	13,911
Outflows							
Repayment of borrowings		(8,759)	(8,892)	..	..	..	..
Interest paid		(6,102)	(6,517)	..	..	..	..
Dividend paid		(10,000)	..	..	..	..	..
Equity withdrawals		(24,424)	(5,960)	(24,424)	(7,543)	(16,881)	(5,960)
Net cash provided by/(used in) financing activities		(11,756)	(7,458)	13,105	14,660	(1,555)	7,951
Net increase/(decrease) in cash and cash equivalents		5,705	33,118	(205)	6,347	(6,552)	15,206
Cash and cash equivalents at beginning of financial year		130,229	97,111	53,116	25,729	27,387	37,910
Cash transfers from restructure		(15,664)	..	(15,664)	(16,221)	557	..
Cash and cash equivalents at end of financial year	14	120,270	130,229	37,247	15,855	21,392	53,116

* An explanation of major variances is included at Note 30.

The accompanying notes form part of these statements.

Queensland Treasury and Controlled Entity
Reconciliation of Operating Surplus to Net Cash from Operating Activities
for the year ended 30 June 2018

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
Operating surplus/(deficit)	(22,589)	39,223	..	(819)
Impairment expense	370	139	370	139
Gain/loss on shares – unrealised	56,574	(29,660)	..	..
Interest – loans and receivables	(7,687)	(7,202)	..	..
Dividend received	(12,578)	(14,775)	..	..
Amortisation of unearned income	(333)	(328)	..	..
Depreciation/amortisation expense	2,757	3,331	2,757	3,331
Interest expense	6,102	6,517	..	..
Change in assets and liabilities:				
(Increase)/decrease in appropriation receivable	..	(703)	..	(703)
(Increase)/decrease in trade debtors	2,469	7,652	1,785	7,082
(Increase)/decrease in annual leave reimbursements	1,767	(214)	1,767	(214)
(Increase)/decrease in other receivables	(1,310)	(424)	(1,310)	(424)
(Increase)/decrease in other assets	972	(995)	932	(1,097)
Increase/(decrease) in trade creditors	7,524	2,848	7,524	2,848
Increase/(decrease) in accrued employee benefits	(4,311)	1,336	(4,311)	1,336
Increase/(decrease) in other payables	(911)	12,085	(199)	12,762
Increase/(decrease) in tax provision	25	(607)	..	..
Increase/(decrease) in deferred tax liability	(16,972)	8,905	..	..
Decrease in deferred tax asset	1,380	1,765	..	..
Adjustment to various assets and liabilities due to MoG (non-cash items)	11,228	..	11,228	..
Net cash provided by/(used in) operating activities	24,477	28,893	20,543	24,241

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

	Notes	Opening Balance $'000	Non-Cash Changes: Transfers to/(from) other Queensland Government Entities $'000	Non-Cash Changes: New Leases Acquired $'000	Non-Cash Changes: Other	Cashflows: Cash Received $'000	Cashflows: Cash Repayments $'000	Closing Balance $'000
Current/non-current liabilities								
Interest bearing liabilities	23	130,385	..	..	..	..	(8,759)	121,626
		130,385	..	..	..	..	(8,759)	121,626

Consolidated Entity^

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

Queensland Treasury
Statement of Comprehensive Income by Major Departmental Services
for the year ended 30 June 2018

	Economic and Fiscal Co-ordination		Agency Performance		Commercial Services		Revenue Management		Industrial Relations		General – not attributed**		Inter-service/activity eliminations		Queensland Treasury	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Income from continuing operations *																
Revenue																
Appropriation revenue	38,789	36,022	16,965	13,477	27,113	16,189	151,493	139,422	16,853	32,281	3,577	3,708	..	..	254,790	241,099
User charges and fees	5,986	6,432	330	331	1,942	6,838	3,879	4,254	6,957	13,156	617	941	(1,660)	(1,641)	18,051	30,311
Grants and other contributions	25	254	11	14	10	15	86	117	50,663	99,105	7	10	..	..	50,802	99,515
Other revenue	65	21	36	10	47	160	653	548	283	544	34	8	..	..	1,118	1,291
Total income from continuing operations	44,865	42,729	17,342	13,832	29,112	23,202	156,111	144,341	74,756	145,086	4,235	4,667	(1,660)	(1,641)	324,761	372,216
Expenses from continuing operations *																
Employee expenses	22,456	21,029	10,368	10,117	10,775	9,960	61,604	60,328	49,274	98,963	1,881	2,282	(9)	..	156,349	202,679
Supplies and services	13,605	13,373	3,889	3,401	11,575	12,612	81,731	70,964	19,423	36,813	1,889	2,119	(1,651)	(1,641)	130,461	137,641
Grants and subsidies	3,707	2,848	17	..	2,046	300	124	..	5,075	8,478	10	..	..	..	10,979	11,626
Depreciation and amortisation	227	164	121	132	159	117	1,403	1,476	732	1,310	115	132	..	..	2,757	3,331
Impairment expense	..	..	..	..	370	..	..	..	1	139	..	..	..	..	371	139
Other expenses	4,870	5,291	2,947	172	4,187	201	11,249	11,501	251	327	340	127	..	..	23,844	17,619
Total expenses from continuing operations	44,865	42,705	17,342	13,822	29,112	23,190	156,111	144,269	74,756	146,030	4,235	4,660	(1,660)	(1,641)	324,761	373,035
Total comprehensive income	..	24	..	10	..	12	..	72	..	(944)	..	7	..	..	..	(819)
* Allocation of income and expenses to corporate services (disclosure only):																
Income	6,819	5,600	3,133	2,744	2,978	2,753	19,249	16,818	39	103	2,094	2,250	..	..	34,312	30,268
Expenses	6,819	5,600	3,133	2,744	2,978	2,753	19,249	16,818	39	103	2,094	2,250	..	..	34,312	30,268

** 2018 and 2017 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

The department 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
Statement of Assets and Liabilities by Major Departmental Services
as at 30 June 2018

	Economic and Fiscal Co-ordination*		Agency Performance*		Commercial Services*		Revenue Management*		Industrial Relations		General – not attributed**		Queensland Treasury	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current assets														
Cash assets	21,741	20,716	1,203	1,790	1,886	2,936	12,098	17,193	..	9,905	318	576	37,247	53,116
Receivables	1,958	1,516	91	79	1,778	1,195	1,922	1,845	..	3,452	1,256	1,159	7,004	9,245
Other assets	44	42	..	..	..	..	2,254	2,281	..	813	695	789	2,993	3,925
Total current assets	23,743	22,274	1,294	1,869	3,664	4,131	16,274	21,319	..	14,170	2,269	2,524	47,244	66,286
Non-current assets														
Property, plant and equipment	5	9	..	..	..	..	84	30	..	4,172	..	..	89	4,211
Intangible assets	..	7	..	..	980	..	16,510	5,404	..	2,402	2,293	3,127	19,783	10,940
Other financial assets	..	..	..	..	39,630	20,000	6,833	6,833	..	..	..	..	46,463	26,833
Total non-current assets	5	16	..	..	40,610	20,000	23,427	12,267	..	6,574	2,293	3,127	66,335	41,984
Total assets	23,748	22,290	1,294	1,869	44,274	24,131	39,701	33,586	..	20,744	4,562	5,651	113,579	108,270
Current liabilities														
Payables	19,751	17,424	30	13	2,835	1,127	12,167	8,260	..	4,654	4,672	2,843	39,455	34,320
Accrued employee benefits	777	750	352	313	464	356	2,082	2,043	..	4,661	1,124	986	4,798	9,109
Other current liabilities	197	247	..	..	..	..	..	22	..	127	..	..	197	396
Total current liabilities	20,725	18,421	382	326	3,299	1,483	14,249	10,325	..	9,442	5,796	3,829	44,450	43,825
Non-current liabilities														
Payables	..	..	..	..	..	..	..	..	..	703	4,974	2,093	4,974	2,796
Total non-current liabilities	..	..	..	..	..	..	..	..	..	703	4,974	2,093	4,974	2,796
Total liabilities	20,725	18,421	382	326	3,299	1,483	14,249	10,325	..	10,145	10,770	5,922	49,424	46,621
Net assets	3,023	3,869	912	1,543	40,975	22,648	25,452	23,261	..	10,599	(6,208)	(271)	64,154	61,649

* The department has systems in place to allocate assets and liabilities by Major Departmental Service.

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

1 Basis of financial statements preparation

(a) Statement of compliance

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

These financial statements are general purpose financial statements, prepared in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with the Treasurer's Minimum Reporting Requirements for the year beginning 1 July 2017 and other authoritative pronouncements.

(b) The reporting entity

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. The consolidated financial statements include the value of all revenues, expenses, assets, liabilities and equity of the department and the entities that it controls. Details of the department's controlled entities are disclosed in note 26.

The department as an economic entity consists of the parent entity together with QTH. To provide enhanced disclosure, the department 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 the department's core business activities and those of its controlled entities. In the process of reporting on the department as a single economic entity, all transactions and balances internal to the economic entity have been eliminated in full.

The accrual basis of accounting has been adopted for both controlled transactions and balances, and those administered by the department on a whole-of-Government (WoG) basis. Except when stated, the historical cost convention is used.

(c) Controlled and Administered transactions and balances

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

The department administers, but does not control, certain resources on behalf of the government such as the collection of 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 the department's objectives.

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

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

(d) Loans and receivables

The QTH consolidated entity carries long term loans and receivables at amortised cost. In 2011, QTH paid an amount of $121.2 million for licence fees receivable from Port of Brisbane Pty Ltd (PBPL). The licence fee is based on a revenue sharing arrangement whereby Brisbane Port Holdings Pty Ltd(BPH) will receive a percentage of revenue above a hurdle amount from PBPL for a period of 35 years. The QTH consolidated entity made an upfront payment to BPH for the rights to these cash flows using funds provided from 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 discounted at a rate which takes into account the risks and uncertainties. Due to risks and uncertainties around the revalue forecasts, this 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 for impairment, incorporating current projections of trade volumes and price growth and where the carrying value of the receivable is not supported by these forecasts, an impairment is recognised (refer note 15).

(e) 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. Between 2013 and 2016, QTH impaired a long-term receivable which relates to a licence fee arrangement with the Port of Brisbane. This receivable was originally recognised by QTH in 2011 at $121.2 million and is currently recognised at $52.7 million due to the timing of the related cash flows which have been forecast to 2050. The long-term receivable has been discounted at 9.55% 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* (refer note 19).

(f) 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 equivalent (Consolidated Fund) to the amount of Commonwealth income tax.

1 Basis of financial statements preparation (continued)

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

(g) 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 2016-17 financial statements.

(h) 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.

(i) 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 15 and 42 (Allowance for impairment)
- Notes 17, QIC investments (Allowance for impairment)
- notes 25 and 47 (Contingencies)
- note 29 (b) and (f) (Financial Instruments)
- note 48 (a) and (e) (Financial Instruments)

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

(j) First year application of new accounting standards or change in accounting policy
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB107*

From 2017-18, this standard required additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of reconciliation in the notes to the statement of cash flows.

(k) 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 set out below:

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

These standards will first apply to the department from its financial statements for 2018-19 with a 1 July 2018 date of transition. The main impact of the standards to the department is that it will change the requirements for classification, measurement, impairment and disclosures associated with the department's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value through the profit or loss. For financial liabilities, AASB 9 has largely adopted the classification and measurement criteria currently contained in AASB 139.

Under the new standard, the consolidated entity's licence fee receivable (refer note 15) which is currently recorded on an amortised cost basis, will be valued at fair value through profit or loss. This will change the nature of how this is recorded as well as the amount receivable. The estimated impact on the carrying amount on 1 July 2018 will reflect an increase from $52.714 million to $67.983 million, with an unrealised gain of $15.179 million recognised through profit and loss.

The new impairment requirements will result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The department will be adopting the simplified approach under AASB 9. Analysis is still being undertaken by the department on whether to individually assess the debts or use a provision matrix to measure the impairment provision. The Office of State Revenue (OSR) will be adopting the provision matrix approach for payroll tax, land tax, duties and SPER. Trade receivables relating to the recovery of First Home Owners Grants (FHOG), Queensland Building Boost (QBB), gaming machine and royalties will be assessed individually due to low value write-offs and secured debts.

Applying this approach for the department has estimated the opening provision for the impairment of payroll tax receivables on 1 July 2018 to be $27.7 million, a decrease of $6.5 million compared to the amount reported at 30 June 2018. This will result in a net receivable of $866.6 million on transition. Land tax, duties, gaming, royalties and SPER have no significant material change in the provision for impairment from the 30 June 2018 balance.

1 Basis of financial statements preparation (continued)

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

These standards will first apply to the department from its financial statements for 2019-20. The department has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts.

The new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the department's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the department has received cash but has not met its associated performance obligations. The department is yet to complete its analysis of existing arrangements and the impact, if any, on revenue recognition has not yet been determined.

AASB 16 *Leases*

This standard will first apply to the department 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

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

Treasury's current lease commitments (refer note 24) may include items that would be excluded under AASB16 because the low value or short-term lease exemption is satisfied. The department has analysed its existing operating lease commitments to estimate the expected impacts on transition based on information available at 30 June 2018. The department's leases with internal-to-government lessors include rental accommodation managed by the Queensland Government Accommodation Office. The department currently has two accommodation leases, the primary one being 1 William Street, Brisbane.

At 30 June 2018, the department has total operating lease commitments of $210.459 million (untill 2023-24, note 24(b)) and an annual accommodation lease payment of $11.984 million (2017-18, including Office of Industrial Relations (OIR)) for office accommodation.

Considering their operation and impact across WoG, the department is currently awaiting formal guidance from Treasury policy unit as to whether this arrangement should be accounted for on-balance sheet under AASB 16.

In the event these arrangements are to be accounted for on-balance sheet, the department estimates for office accommodation leases a right-of-use asset and lease liability. On transition these are expected to be different to the undiscounted amounts disclosed in the commitments note and will equal the amount calculated in accordance with AASB 16. Currently the transition value is not practically quantifiable due to key factors still requiring assessment including identification of an appropriate discount rate. There will be no material financial statement impact if these arrangements are not accounted for on-balance sheet.

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 https://budget.qld.gov.au/files/SDS-Treasury-2018-19.pdf

(a) Major activities of the department

Major activities of the department are detailed in 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 (Queensland Treasury and its controlled entity Queensland Treasury Holdings Pty Ltd (QTH) and its subsidiaries) – column headed ‘Consolidated Entity’.

2. Administered on behalf of WoG – shaded statements and notes.

(b) Machinery-of-government changes

The following transfers, based on the *Administrative Arrangements Order (No.4 2017)* dated 21 December 2017 were made effective on 1 January 2018:

	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					Administered				
	$'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 has been 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
3 Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in the Statement of Comprehensive Income				
Budgeted appropriation revenue	265,008	251,486	265,008	251,486
Transfer (to)/from other departments	(19,847)	..	(19,847)	..
Transfer (to)/from other heading	(2,136)	(11,090)	(2,136)	(11,090)
Lapsed appropriation revenue	(4,179)	..	(4,179)	..
Total appropriation receipts	238,846	240,396	238,846	240,396
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	15,944	3,163	15,944	3,163
Less closing balance of deferred appropriation payable	(18,698)	(15,241)	(18,698)	(15,241)
Net appropriation revenue	236,092	228,318	236,092	228,318
Plus deferred appropriation payable to Consolidated Fund	18,698	12,781	18,698	12,781
Appropriation revenue recognised in Statement of Comprehensive Income	254,790	241,099	254,790	241,099
Reconciliation of payments from Consolidated Fund to appropriated equity adjustments recognised in contributed equity				
Budgeted equity adjustment appropriation	14,660	11,058	14,660	11,058
Unforeseen expenditure	..	..	..	..
Transfer (to)/from other heading	2,136	(607)	2,136	(607)
Total equity adjustment receipts	16,796	10,451	16,796	10,451
Appropriated equity adjustment recognised in contributed equity	16,796	10,451	16,796	10,451

Accounting Policy – Departmental service 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.

4 User charges and fees				
Sale of services	18,028	30,304	18,028	30,304
Other fees	23	7	23	7
	18,051	30,311	18,051	30,311

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 and/or the recognition of accrued revenue.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000

5 Grants and other contributions

	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Contributions from Workcover	44,039	84,099	44,039	84,099
Industry contributions	6,624	14,989	6,624	14,989
Resources received below fair value	139	427	139	427
	50,802	99,515	50,802	99,515

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 the department 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

	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest – loans and receivables **	7,687	7,202	..	..
Interest – lease receivables *	6,102	6,517	..	..
Interest – QTC	1,896	1,751	..	..
	15,685	15,470	..	..

* Relates to interest recognised on QTH Lease receivables by Dalrymple Bay Coal Terminal Holdings (DBCTH) Pty Ltd (refer note 16).
** 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 15).

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

	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Gain/(loss) on shares – unrealised *	(56,574)	29,660	..	..
	(56,574)	29,660	..	..

* Relates to the market movement on remaining shares held in Aurizon Holdings Ltd (AZJ) (formerly QR National Limited) recorded at fair value (recognised at the closing listed market price of $4.33 per share (2017: $5.36 per share)).

8 Employee expenses

	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Salaries, wages and related - government employees	120,872	157,397	120,872	157,397
Annual leave	12,866	15,746	12,866	15,746
Employer contributions - Accumulation schemes	11,808	17,466	11,808	17,466
Employer contributions - Defined benefit scheme	4,197	2,979	4,197	2,979
Long service leave	2,547	3,024	2,547	3,024
Other employee-related expenses	2,530	3,466	2,530	3,466
Fringe benefits tax expense	695	1,167	695	1,167
Redundancy payments	584	1,786	584	1,786
Workers' compensation premium	251	437	251	437
Other employee-related expenses - non Long Service Leave (LSL) and Annual Leave Central Scheme (ALCS)	..	(789)	..	(789)
	156,349	202,679	156,349	202,679

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:

	2018	2017	2018	2017
Number of employees:	954	1,757	954	1,757

8 Employee expenses (continued)

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 are 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 the department's financial statements as the liability is held on a WoG 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 the department to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

Long service leave
Under the Queensland Government's long service leave scheme, a levy is made on the department to cover the cost of employees' long service leave. Levies are expensed in the period in which they are paid or payable.

Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears. Therefore, no provision for long service leave is recognised in the department's financial statements, the liability being held on a WoG 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. The department'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 WoG basis and reported in those financial statements pursuant to *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

(a) Key management personnel and remuneration

From 2016-17, the department's Treasurer is identified as part of the department'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 (formerly Curtis Pitt, Treasurer and Minister for Trade and Investment prior to the MoG change, refer note 2).

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

Remuneration policy for the department'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.

The following details for non-Ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of the department 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 the department 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 (continued)

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

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 Co-ordination	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 Intelligence	27-Jan-16	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).

8 Employee expenses (continued)

1 July 2016 - 30 June 2017

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	596	12	74	..	**682**
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	238	5	26	..	**269**
Deputy Under Treasurer	Responsible for Agency Performance	6-Aug-15	233	4	26	..	**263**
Acting Deputy Under Treasurer	Responsible for Commercial Services	20-Apr-15 (16-Jun-17) (b)	..	..	..	..	**..**
Deputy Under Treasurer	Responsible for Commercial Services and Agency Performance	27-Aug-15	286	5	32	..	**323**
Commissioner	Responsible for the Office of State Revenue	10-Feb-14	284	6	32	..	**322**
Acting Executive General Manager	Responsible for Operations and Change	15-Sept-16 (c)	143	3	15	..	**161**
Executive General Manager	Responsible for Risk and Intelligence	27-Jan-16	219	4	24	..	**247**
Deputy Director-General	Responsible for the Office of Industrial Relations	09-Jan-14	245	5	27	..	**277**
Total expenses			2,244	**44**	**256**	**..**	**2,544**

* 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 former Acting Deputy Under Treasurer was remunerated by QTC and departed on a interchange agreement on 16 June 2017.
(c) Appointed as Acting Executive General Manager on 15 September 2016 following a departmental restructure. Previously in a non KMP position.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
9 Supplies and services				
Computer charges	33,712	30,810	33,712	30,810
Contractors and employment agency charges	27,952	24,737	27,952	24,737
Property leases	17,791	21,854	17,791	21,854
Administration and advertising	11,044	11,717	11,044	11,717
SPER call centre costs	10,892	10,881	10,892	10,881
Consultants	10,183	12,379	10,183	12,379
Other property charges	8,313	9,813	8,313	9,813
Professional legal fees, service fees and charges	7,056	10,284	7,056	10,284
Other supplies and services	3,517	5,166	3,517	5,166
	130,461	137,641	130,461	137,641

Accounting Policy – Supplies and services
The department 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 2018	Consolidated 2017	Parent 2018	Parent 2017
10 Grants and subsidies				
Safe Work Australia	1,008	2,037	1,008	2,037
Anzac Day Trust	1,323	1,299	1,323	1,299
Financial Assurance	2,032	..	2,032	..
Back to Work	3,670	2,848	3,670	2,848
Queensland Ambulance Service	1,868	3,918	1,868	3,918
Other recurrent grants	1,078	1,524	1,078	1,524
	10,979	11,626	10,979	11,626
11 Impairment expense				
Impairment losses on receivables	1	139	1	139
Impairment losses on investments	370	..	370	..
	371	139	371	139
12 Other expenses				
Deferred appropriation payable to Consolidated Fund	18,698	12,781	18,698	12,781
Bank charges	1,763	1,750	1,763	1,750
Internal audit fees	1,376	1,525	1,376	1,525
Sundry expenses	1,375	802	1,076	485
External audit fees*	813	812	773	773
Company secretariat and accounting services – QTC	370	412	..	..
Qld Government Insurance Fund - insurance premiums	86	137	86	137
Sponsorships and special payments	73	168	73	168
	24,553	18,387	23,844	17,619

* Total audit fees quoted by the Queensland Audit Office relating to the 2017-18 financial statements for the parent entity is $500k (2017: $540k).

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
13 Income tax expense				
Current tax comprises:				
Current tax on profit for the year	3,072	2,499	..	..
	3,072	2,499	..	..
Deferred tax comprises:				
Decrease/(increase) in deferred tax asset	1,377	1,192	..	..
(Decrease)/increase in deferred tax liability	(16,972)	8,898	..	..
	(15,595)	10,090	..	..
Income tax expense/(benefit)	(12,523)	12,589	..	..
Numerical reconciliation of income tax expense to prima facie tax payable:				
Profit/(loss) before income tax expense	(35,112)	52,631	..	..
Less (profit)/loss of non taxable entities	(345)	(327)	..	..
Plus dividend received from AZJ	(6,289)	(10,343)	..	..
Profit/(loss) before income tax expense from taxable entities	(41,746)	41,961	..	..
Tax at the Australian company tax rate of 30%	(12,523)	12,589	..	..
Income tax expense/(benefit)	(12,523)	12,589	..	..
14 Cash and cash equivalents				
Cash on hand and at bank	37,250	53,117	37,247	53,116
QTC Cash Fund	83,020	77,112	..	..
Cash at the end of financial year	120,270	130,229	37,247	53,116

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 the department's option and that are subject to a low risk of changes in value.

Bank accounts grouped within the WoG 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
15 Receivables				
Current				
Receivables of operating nature	1,267	3,362	1,267	3,362
Less allowance for impairment loss	..	(310)	..	(310)
	1,267	3,052	1,267	3,052
Annual leave claims receivable	1,486	2,876	1,486	2,876
Sundry receivable	2,131	1,595	2,131	1,595
GST input tax credits receivable	1,746	970	1,746	970
Long service leave claims receivable	375	752	375	752
Loan receivable*	5,808	5,324	..	..
	11,546	11,517	5,738	6,193
Total current	12,812	14,569	7,004	9,245
Ageing of past due but not impaired receivables*				
Overdue				
Less than 30 days	27	63	27	63
30-60 days	837	98	837	98
Greater than 90 days	1	262	1	262
Total overdue	865	423	865	423

** 2018 and comparative ageing of individually impaired financial assets are not disclosed as they are immaterial.

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
Non-current*				
Loan receivable	41,726	44,614	..	..
Licence fee receivable	121,249	121,249	..	..
Interest revenue - accumulated	67,318	62,727	..	..
Impairment expense - accumulated	(135,853)	(135,853)	..	..
Total non-current	94,440	92,737	..	..

* The loan receivable is discounted at 6.55% and includes the rights to fixed annual payments up to 31 December 2025. The licence fee receivable has been estimated based on projected trade volume and price growth and is discounted at a rate of 9.55% (2017: 9.54%). The discount rate is applied against expected cash flows under a revenue sharing arrangement based on a pre-tax discount rate.

Accounting policy - receivables
Debtors are recognised at the amounts due at the time of service delivery i.e. the agreed purchase/contract price. Settlement of debtors is generally required within 30 days.

Licence fee receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at amortised cost using the effective interest rate method.

Credit risk exposure of receivables

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

Credit risk (receivables) is managed pursuant to internal policies. These focus on the prompt collection of revenues due and payable to the department and follow-up of outstanding fees and charges within specified timeframes. Any write-offs require high-level approval.

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

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

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

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to the department 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 no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If the department and its controlled entities determine that an amount owing by such a debtor does become uncollectible (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	
	2018	2017	2018	2017
16 Lease receivables	$'000	$'000	$'000	$'000
Current				
Finance lease receivable	1,351	1,288	..	..
Novation receivable	7,314	7,472	..	..
	8,665	8,760	..	..
Non-current				
Finance lease receivable	105,801	107,151	..	..
Novation receivable	7,160	14,474	..	..
	112,961	121,625	..	..
Total				
Lease receivable	107,152	108,439	..	..
Novation receivable	14,474	21,946	..	..
	121,626	130,385	..	..
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	182,522	188,992	..	..
Minimum lease commitments receivable at balance date *	214,875	221,345	..	..
Less future finance charges	(107,723)	(112,906)	..	..
Total lease receivable	107,152	108,439	..	..
Present value of minimum lease payments				
- Not later than one year	6,281	6,281	..	..
- Later than one year and not later than five years	22,328	22,329	..	..
- Later than five years	78,543	79,829	..	..
	107,152	108,439	..	..

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

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
16 Lease receivables (continued)				
Novation receivable				
Operating lease				
Minimum lease payments				
- Not later than one year	7,877	8,391	..	..
- Later than one year and not later than five years	7,376	15,253	..	..
Minimum novation payments receivable at balance date *	15,253	23,644	..	..
Less: future finance charges	(779)	(1,698)	..	..
Total novation receivable	14,474	21,946	..	..
Present value of minimum lease payments				
- Not later than one year	7,648	8,147	..	..
- Later than one year and not later than five years	6,826	13,799	..	..
	14,474	21,946	..	..

* 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.

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
17 Other financial assets				
Current				
Shares – AZJ *	237,830	294,404	..	..
	237,830	294,404	..	..
Non-current				
Shares held in unlisted company at cost	6,833	6,833	6,833	6,833
QIC investments (net) - Business Development Fund at cost **	39,630	20,000	39,630	20,000
	46,463	26,833	46,463	26,833

* The QTH controlled entity holds 54,926,186 shares (2017: 54,926,186 shares) in AZJ, purchased at the institutional price of $2.55 per share. The shares are market valued based on the closing listed share price of $4.33 per share (2017: $5.36).

Accounting Policy – Other financial assets

The department carries equity investments in unlisted companies at cost under AASB 139 Financial Instruments: Recognition and Measurement. The fair value of the investments cannot be reliably determined due to inactive markets for identical investments.

Impairment

**The assessment of impairment requires significant judgement as the investments are in businesses that are in a start-up phase with limited financial information available to assess future financial performance which would support the carrying value of the investment. Each investment is reviewed to identify if there are any indicators of impairment and if so a provision for estimated loss is assigned (currently set at 50% or 100%) 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, cashflow projections and various other management reports. The impairment is reversed if the financial performance of the investor subsequently improves. Impairment expense for the 2018 financial year is $0.370 million (2017: nil), refer note 11.

Investments are fully impaired when the business is no longer operating or plans have commenced to wind up the entity.

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000	Parent Entity 2018 $'000	Parent Entity 2017 $'000
18 Intangibles				
Internally generated software				
– at cost	18,703	11,092	18,703	11,092
– accumulated amortisation	(4,274)	(4,871)	(4,274)	(4,871)
	14,429	6,221	14,429	6,221
Other software/licences				
– at cost	10,091	10,250	10,091	10,250
– accumulated amortisation	(9,613)	(9,468)	(9,613)	(9,468)
	478	782	478	782
Work in progress				
– at cost	4,876	3,937	4,876	3,937
	4,876	3,937	4,876	3,937
Total intangibles				
– net book value	19,783	10,940	19,783	10,940

Accounting Policy – Intangibles

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

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

Intangibles	Amortisation rates
– Internally generated software	7.14% - 20%
– Purchased software/licences	12.5% - 25%

Reconciliation	Internally generated software		Other software/licences		Software works in progress		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Carrying amount at 1 July	6,221	5,648	782	990	3,937	1,843	10,940	8,481
Acquisitions	10,715	..	..	500	2,828	4,619	13,543	5,119
MoG Transfer in	..	..	..	..	..	..	..	..
MoG Transfer out	(1,407)	..	(128)	..	(787)	..	(2,322)	..
Disposals	..	(404)	..	..	..	..	..	(404)
Transfers between asset classes	1,102	2,366	..	159	(1,102)	(2,525)	..	..
Amortisation *	(2,202)	(1,389)	(176)	(867)	..	..	(2,378)	(2,256)
Carrying amount at 30 June	14,429	6,221	478	782	4,876	3,937	19,783	10,940

* 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 $9.869 million (2016–17: $9.733 million).

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
19 Deferred tax asset				
The balance comprises temporary differences attributable to:				
Long term receivable – BPH licence fee	20,564	21,944	..	..
	20,564	21,944	..	..
20 Payables				
Current				
Payables of operating nature	20,525	16,281	20,525	16,281
Interdepartmental payable	..	2,147	..	2,147
Deferred appropriation for departmental services payable	18,698	15,241	18,698	15,241
FBT payable	202	387	83	289
GST payable	139	352	139	352
Sundry payables	353	359	11	10
	39,916	34,767	39,455	34,320
Non-current				
Payables of operating nature	4,974	2,796	4,974	2,796
	4,974	2,796	4,974	2,796

Accounting Policy - Payables
Creditors are recognised upon receipt of goods and services at the agreed purchase price. Amounts owing are generally settled on 30-day terms.

	Consolidated 2018	Consolidated 2017	Parent 2018	Parent 2017
21 Other current liabilities				
Current				
Unearned revenue	197	396	197	396
Sub-lease on land*	342	337	..	..
	539	733	197	396
Non-current				
Sub-lease on land*	2,039	2,378	..	..
	2,039	2,378	..	..

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

Accounting Policy – Lease receivables

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 2018	Consolidated 2017	Parent 2018	Parent 2017
22 Deferred tax liabilities				
Attributable to temporary differences:				
Financial assets at fair value – AZJ	29,330	46,302	..	..
Investments in subsidiaries – DBCTH	178	178	..	..
	29,508	46,480	..	..

	Consolidated Entity		Parent Entity	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
23 Interest bearing liabilities				
Current loans with QTC				
Lease loan *	1,351	1,288	..	..
Novation loan *	7,314	7,472	..	..
	8,665	8,760	..	..
Non-current loans with QTC				
Lease loan *	105,801	107,151	..	..
Novation loan *	7,160	14,474	..	..
	112,961	121,625	..	..

* The long-term Lease Loan and Novation Loan from QTC, is for a period of 50 and 20 years, respectively for each loan, 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.

24 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:

	Consolidated 2018	Consolidated 2017	Parent 2018	Parent 2017
Not later than one year	419	414	..	..
Later than one year and not later than five years	1,677	1,656	..	..
Later than five years	13,871	14,906	..	..
Total commitments	15,967	16,976	..	..

(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:

	Consolidated 2018	Consolidated 2017	Parent 2018	Parent 2017
Not later than one year	62,268	68,602	62,268	68,602
Later than one year and not later than five years	86,886	130,469	86,886	130,469
Later than five years	141,071	146,867	141,071	146,867
Total commitments	290,225	345,938	290,225	345,938

(c) Capital expenditure commitments

Material capital expenditure commitments, inclusive of GST, contracted for but not recognised in the financial statements are payable as follows:

	Consolidated 2018	Consolidated 2017	Parent 2018	Parent 2017
Not later than one year	18,735	1,086	18,735	1,086
Later than one year and not later than five years	16,479	52	16,479	52
Later than five years	..	..	..	..
Total commitments	35,214	1,138	35,214	1,138

25 Contingencies

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.

26 Controlled entities

QTH is controlled by the department and its revenues, expenses, assets, liabilities and equity have been included within these financial statements. The Under Treasurer, as Trustee for the Treasurer of Queensland, holds a 60% beneficial interest in QTH, which comprises ownership of “A” class capital. The remaining 40% interest is held by the 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:	2018 $’000	2017 $’000
Income Statement		
Net income	(27,930)	60,282
Expenses	(7,182)	(7,651)
Income tax (benefit)/expense	(12,523)	12,589
Operating result for the year (after income tax)	**(22,589)**	**40,042**
Balance Sheet		
Total assets	543,008	600,268
Total liabilities	(133,412)	(158,083)
Net Assets	**409,596**	**442,185**

	Net Assets	
Name of Controlled Entity	**2018 $000**	**2017 $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)	2,743	2,741
Queensland Airport Holdings (Cairns) Pty Ltd***	..	..
Queensland Airport Holdings (Mackay) Pty Ltd***	..	..
Network Infrastructure Company Pty Ltd **	..	..
Brisbane Port Holdings Pty Ltd (BPH)	18,859	18,593
DBCT Holdings Pty Ltd	7,304	7,225

* 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.

27 Investments in entities which are not controlled entities or associated companies

Name of entity	Principal activities	Percentage ownership 2018 %	Percentage ownership 2017 %	Carrying amount 2018 $'000	Carrying amount 2017 $'000
Property Exchange Australia Ltd*	Develop then operate the national e-Conveyancing system	3.87%	3.97%	6,833	6,833

*originally known as National e-Conveyancing Development Limited

28 Events occurring after balance date

Subsequent to the end of financial year, the directors of the QTH consolidated entity declared a dividend of $10.0 million to be paid to the State in 2018-19.

29 Financial instruments

(a) *Accounting policy*

Recognition

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

Classification
Financial instruments are classified and measured as follows:

1. Financial assets – held at cost
   - Cash and cash equivalents
2. Financial assets – amortised cost
   - Receivables (mostly held at cost)
   - Lease receivables
   - Loans and advances
3. Financial assets at fair value through profit or loss – held at fair value
   - Other financial assets – Shares in Aurizon Holdings Ltd (AZJ)
4. Equity Instrument – held at cost
   - Other financial assets
5. Financial liabilities – held at amortised cost
   - Payables (held at cost)
   - Interest bearing liabilities – Commonwealth, QTC borrowings and Advances payable to GOC's

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. The consolidated entity'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 notes 15 and 42.

(b) *Categorisation of financial instruments*

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

Category	Note	2018 $'000	2017 $'000
Financial assets			
Cash and cash equivalents	14	120,270	130,229
Receivables*	15	107,252	107,306
Finance lease receivables	16	121,626	130,385
Other financial assets	17		
Shares – AZJ		237,830	294,404
Shares held in unlisted company at cost		6,833	6,833
QIC investments, Business Development Fund		39,630	20,000
Total		633,440	689,157
Financial liabilities			
Payables	20	39,916	34,767
Interest bearing liabilities	23	121,626	130,385
Total		161,542	165,152

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

(c) *Financial risk management*

The consolidated entity's activities expose it to a variety of financial risks – credit risk (refer notes 15 & 42), 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 the department.

The department 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 the department and its controlled entities' activities.

29 Financial instruments (continued)

(d) Liquidity risk

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

The department 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 the department and its controlled entity. It represents the remaining contractual cash flows (principal and interest) of financial liabilities at the end of the reporting period.

	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	20	39,916	..	..	39,916	39,916
Interest bearing liabilities	23	14,348	33,528	182,521	230,397	121,626
Total		54,264	33,528	182,521	270,313	161,542

	Note	2017 payable in < 1 year $'000	1 - 5 years $'000	> 5 years $'000	Total undiscounted cash flow $'000	Carrying amount $'000
Financial liabilities						
Payables	20	34,767	..	..	34,767	34,767
Interest bearing liabilities	23	14,862	41,135	188,992	244,989	130,385
Total		49,629	41,135	188,992	279,756	165,152

(e) Market risk

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

Interest rate risk

The QTH controlled entity is exposed to interest rate risk through the QTC Cash Fund which is capital guaranteed. All other financial assets and financial liabilities are fixed in nature. The QTH controlled entity is also exposed to credit risk primarily through its investments in the QTC Cash Fund.

Credit risk

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.

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:

29 Financial instruments (continued)

(e) Market risk (continued)

2018 Interest rate risk

Financial instruments	**Carrying amount**	**-1%**		**1%**	
		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

2017 Interest rate risk

Financial instruments	**Carrying amount**	**-1%**		**1%**	
		Profit	**Equity**	**Profit**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cash*	77,113	(771)	(771)	771	771
Potential impact		(771)	(771)	771	771

* 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% (2017: +/- 10%).

2018 Equities

Financial instruments	**Carrying amount**	**-10%**		**10%**	
		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

2017 Equities

Financial instruments	**Carrying amount**	**-10%**		**10%**	
		Profit	**Equity**	**Profit**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Other financial assets – Shares – AZJ	294,404	(29,440)	(29,440)	29,440	29,440
Potential impact		(29,440)	(29,440)	29,440	29,440

(f) 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 and
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

29 Financial instruments (continued)

(f) Fair value (continued)

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			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

Class		Classification according to fair value hierarchy			2017 Carrying amount
		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Cash and cash equivalents		53,117	77,112	..	130,229
Other financial assets – Shares – AZJ		294,404	..	..	294,404
Total		347,521	77,112	..	424,633

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 2018.

Level 2 instruments for the QTC Cash Fund are measured at net realisable value.

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

	Note	2018 Carrying amount $'000	2018 Fair value $'000	2017 Carrying amount $'000	2017 Fair value $'000
Financial asset					
Loan receivable ^	15	47,534	54,243	49,938	57,894
Licence fee receivable ^	15	52,714	64,415	48,123	60,069
Total		100,248	118,658	98,061	117,963

^ QTH only

For financial assets and financial liabilities, fair values have been based on the following:

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

30 Budget vs Actual comparison - Controlled

NB. 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 4. User charges and fees – The increase is primarily driven by the volume and values of reimbursable projects managed by the Commercial Group unknown during budget development ($1.030M). Also contributing is $0.389M in the OSR which primarily relates to greater than anticipated contribution to the QGrants system from other departments, $0.368M higher than expected corporate support charges and $0.184M unbudgeted salary reimbursements received. This is partially offset by $0.209M in lower than anticipated licencing charges and self-insurance levies in OIR.

Face Other revenue – The increase is primarily due to unbudgeted revenue of $0.242M from the Department of Natural Resources, Mines and Energy (DNRME) and OIR for works associated with finance systems, $0.199M higher than anticipated OIR fines and forfeiture revenue, and $0.178M in the OSR for proceeds of legal proceedings.

Note 10. Grants and subsidies – The increase is mainly due to greater than budgeted grant payments of $2.350M in the OIR primarily relates to grants paid to the Queensland Ambulance Service (QAS). Also contributing are grant payments of $2.032M to the Department of Environment and Science and DNRME for the Financial Assurance Framework Reforms.

Face Depreciation and amortisation – The decrease relates to $3.720M in the OSR due to a changed capitalisation schedule for capital expenditure associated with the OSR Transformation Program and Secure the Integrity of the State Revenue Base.

Note 11. Impairment expenses – The increase reflects the annual review of the Business Development Fund investments.

Note 12. Other expenses – The increase primarily relates to the recognition of appropriation payable resulting from the re-profiling of a number of departmental projects and initiatives from 2017-18 to future years, in accordance with section 3B.2 of the Financial Reporting Requirements.

Explanation of major variances for Statement of Financial Position

Note 14. Cash and cash equivalents – The increase is primarily due to increased payables ($37.816M) at 30 June, partially offset by cash returned to the Consolidated Fund as a result of conversion from equity to output funding ($14M).

Note 17. Other financial assets – The increase relates to investment by the Business Development Fund. The Fund supports the growth of angel and venture capital funding available to Queensland businesses, thereby strengthening Queensland's entrepreneurial and start-up ecosystem.

Note 18. Intangible assets – The increase is mainly due to lower than anticipated amortisation costs as a result of a changed amortisation schedule for capital expenditure associated with the OSR Transformation Program and Secure the Integrity of the State Revenue Base. Also contributing is unbudgeted capital expenditure associated with the Financial Assurance Framework Reforms.

Note 20. Payables (Current) - The increase is mainly due to $18.697M in appropriation payable resulting from re-profiling of a number of departmental programs and initiatives from 2017-18 to future years. Also contributing are higher than anticipated operational payables primarily in OSR and the State Penalties Enforcement Registry.

Face Payables (Non-current) – The increase is a result of the straight-line methodology adopted for lease expenses after assessing the application of AASB 117 to leased property portfolio.

Explanation of major variances for Statement of Cash Flows

Operating Activity inflows

GST input tax credits from ATO – The variance is due to the amount of Input tax credits paid by the Australian Taxation Office (ATO) for supplier invoices processed which were not budgeted for.

Other – The increase is primarily due to unbudgeted revenue of $0.242M from the DNRME and OIR for works associated with the finance systems, $0.199M in higher than anticipated OIR fines and forfeiture revenue, and $0.178M in unbudgeted OSR proceeds from legal proceedings.

Operating Activity outflows

Grants and subsidies – The increase is mainly due to greater than budgeted grant payments of $2.350M in OIR primarily relating to grants paid to QAS. Also contributing are grant payments of $2.032M to the Department of Environment and Science and DNRME associated with 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 were not budgeted for.

Other – The increase primarily relates to the CleanCo project, unbudgeted goods and services received below fair value and a cost reimbursement paid to the Department of Justice and Attorney-General.

Investing Activity outflows

Payments for property, plant and equipment – The decrease is due to a lower than anticipated asset replacement.

Payments for investments – The increase relates to additional investment by the Business Development Fund.

Payments for intangibles – The increase primarily relates to $0.980M additional capital acquisition associated with the implementation of the Financial Assurance Framework Reforms. Also contributing is higher than expected capital acquisition associated with the OSR Transformation Program and a number of unbudgeted software acquisitions in OIR.

Financing Activity inflows

Equity injections – The increase primarily relates to $10M in additional investment by the Business Development Fund and $5.445M to implement the Financial Assurance Framework.

Financing Activity outflows

Equity withdrawals – The increase primarily relates to a conversion of $14M from equity to appropriation funding. Also contributing is the payments of $3.691M in capital funding associated with the Financial Assurance Framework Reforms to other Government departments through equity transfers.

	Notes	2018 Actual $'000	2018 Adjusted Budget $'000	2018 Budget Variance* $'000	2017 Actual $'000
Income and expenses administered on behalf of the whole-of-government					
Income from continuing operations					
Revenue					
Grants and other contributions	31	19,859,938	19,917,397	(57,459)	19,559,579
Taxes	32	10,818,926	10,925,654	(106,728)	10,630,683
Royalties	33	4,263,206	3,332,706	930,500	3,846,737
Interest	34	35,580	53,351	(17,771)	54,941
Appropriation revenue	35	5,944,629	6,124,065	(179,436)	6,082,395
User charges and fees		71,248	73,587	(2,339)	105,390
Other revenue	36	381,050	369,871	11,179	358,015
Total income from continuing operations		41,374,578	40,796,631	577,947	40,637,740
Expenses from continuing operations					
Supplies and services	37	157,855	160,221	(2,366)	167,796
Losses on receivables	38	88,014	57,844	30,170	10,042
Finance/borrowing costs	39	1,389,795	1,440,314	(50,519)	1,811,934
Grants and subsidies		296,563	355,577	(59,014)	221,531
Other expenses	40	4,070,449	4,167,953	(97,504)	3,865,550
Total expenses from continuing operations		6,002,677	6,181,909	(179,232)	6,076,853
Operating result from continuing operations before transfers to government		35,371,901	34,614,722	757,179	34,560,887
Operating result for the year before transfers to government		35,371,901	34,614,722	757,179	34,560,887
Transfers of administered revenue to government		35,371,901	34,614,722	757,179	34,560,887
Total administered comprehensive income		..	..	..	..

*** An explanation of major variances is included at Note 49.**

The accompanying notes form part of these statements.

	Notes	2018 Actual $'000	2018 Adjusted budget $'000	2018 Budget variance* $'000	2017 Actual $'000
Assets and liabilities administered on behalf of the whole-of-government					
Current assets					
Cash assets	41	(3,825,484)	(2,769,642)	(1,055,842)	(2,731,190)
Receivables	42	944,288	1,056,513	(112,225)	973,827
Other current assets	43	8,468	18,893	(10,425)	8,641
Total current assets		(2,872,728)	(1,694,236)	(1,178,492)	(1,748,722)
Non-current assets					
Receivables	42	75,672	91,105	(15,433)	88,471
Total non-current assets		75,672	91,105	(15,433)	88,471
Total administered assets		(2,797,056)	(1,603,131)	(1,193,926)	(1,660,251)
Current liabilities					
Payables	44	168,900	42,642	126,258	75,655
Transfer to government payable **		903,842	1,233,061	(329,219)	1,019,690
Interest bearing liabilities	45	2,298,345	516,628	1,781,717	1,359,316
Other liabilities	46	38,290	40,114	(1,824)	40,067
Total current liabilities		3,409,377	1,832,445	1,576,932	2,494,728
Non-current liabilities					
Interest bearing liabilities	45	28,250,395	30,623,173	(2,372,778)	30,329,534
Total non-current liabilities		28,250,395	30,623,173	(2,372,778)	30,329,534
Total administered liabilities		31,659,772	32,455,618	(795,846)	32,824,262
Administered net assets		(34,456,828)	(34,058,749)	(398,080)	(34,484,513)

* An explanation of major variances is included at Note 49.

The accompanying notes form part of these statements.

**** Accounting Policy – Administered receipts**

In accordance with the *Financial Accountability Act 2009*, all administered revenue is to be recorded as received in the Treasurer's consolidated fund operating account. The accounts are prepared on an accrual basis of accounting as outlined in note 1(b).

	Notes	2018 $'000	2017 $'000
Cash flows administered on behalf of the whole-of-government			
Cash flows from operating activities			
Inflows			
Administered item receipts		5,876,589	6,190,887
Grants and other contributions		19,859,938	19,574,309
Taxes		10,814,097	10,625,687
Royalties		4,393,695	3,848,675
Finance income		33,047	52,879
GST input tax credits from ATO		4,384	5,217
Other		404,653	470,907
Outflows			
Transfers to government		(35,479,344)	(34,603,883)
Grants and subsidies		(296,563)	(221,507)
Finance costs		(1,350,336)	(1,532,722)
Supplies and services		(162,197)	(173,005)
GST remitted to ATO		(19,126)	(18,936)
Other		(4,042,415)	(3,820,559)
Net cash provided by/(used in) operating activities		36,421	397,949
Cash flows from investing activities			
Inflows			
Loans and advances received		21,206	21,345
Outflows			
Loans and advances made		(3,935)	(445)
Net cash provided by/(used in) investing activities		17,271	20,900
Cash flows from financing activities			
Inflows			
Equity injections		112,870	1,008,736
Advances received from GOCs		3,213,790	1,398,212
Borrowings		159	18,534
Transfer from redraw		1,000,000	472,066
Outflows			
Borrowing redemptions		(12,276)	(1,019,472)
Transfer to redraw		(3,065,000)	(2,505,000)
Advance redemptions to GOCs		(2,312,342)	(53,153)
Equity withdrawals		(85,187)	(332,944)
Net cash provided by/(used in) financing activities		(1,147,986)	(1,013,021)
Net increase/(decrease) in cash and cash equivalents		(1,094,294)	(594,172)
Administered cash and cash equivalents at beginning of financial year		(2,731,190)	(2,137,018)
Administered cash and cash equivalents at end of financial year	41	(3,825,484)	(2,731,190)

The accompanying notes form part of these statements.

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Administered comprehensive income		
Non cash finance cost adjustments	(1,787)	(4,317)
QTC market value realisation charges	..	303,720
Interest expense on QTC loans	33,288	(24,774)
Change in assets and liabilities:		
(Increase)/decrease in receivables	29,128	(27,554)
(Increase)/decrease in appropriation receivable	..	108,491
(Increase)/decrease in other assets	173	11,975
Increase/(decrease) in payables	79,221	713
Increase/(decrease) in appropriation payable	14,024	68,040
Increase/(decrease) in transfers to government payable	(115,849)	(42,997)
Increase/(decrease) in other liabilities	(1,777)	4,652
Net cash provided by/(used in) operating activities	36,421	397,949

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

	Notes	Opening balance $'000	Non-Cash Changes: Transfers to/(from) other Queensland Government Entities $'000	Non-Cash Changes: New Leases Acquired $'000	Cashflows: Interest & Admin Fees $'000	Cashflows: Cash Received $'000	Cashflows: Cash Repayments $'000	Closing balance $'000
Assets and liabilities administered on behalf of the whole-of-government								
Current liabilities								
Interest bearing liabilities	45	1,359,316	..	..	49,858	3,213,790	(2,324,619)	2,298,345
Non-current liabilities								
Interest bearing liabilities	45	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 Co-ordination		Revenue Management		Industrial Relations		Other *		Inter-service/activity eliminations		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Income and expenses administered on behalf of the whole-of-government												
Income from continuing operations												
Revenue												
Grants and other contributions	19,859,938	19,544,833	..	..	..	..	..	14,746	..	..	19,859,938	19,559,579
Taxes	1,275	..	10,846,227	10,642,412	..	..	..	..	(28,576)	(11,729)	10,818,926	10,630,683
User charges and fees	..	..	47,891	48,632	23,357	56,758	..	..	..	..	71,248	105,390
Royalties	..	..	4,263,206	3,846,737	..	..	..	..	..	..	4,263,206	3,846,737
Interest	..	..	16,623	17,027	..	..	28,335	48,016	(9,378)	(10,102)	35,580	54,941
Appropriation revenue	184,314	180,009	234,246	179,833	..	..	5,526,069	5,722,553	..	..	5,944,629	6,082,395
Other revenue	142,263	119,877	223,394	221,778	..	..	15,393	16,360	..	..	381,050	358,015
Total income from continuing operations	20,187,790	19,844,719	15,631,587	14,956,419	23,357	56,758	5,569,797	5,801,675	(37,954)	(21,831)	41,374,577	40,637,740
Expenses from continuing operations												
Supplies and services	126,477	136,905	5,222	5,086	..	..	26,156	25,805	..	..	157,855	167,796
Losses on receivables	..	..	88,014	10,078	..	(36)	..	..	..	..	88,014	10,042
Grants and subsidies	50,567	34,539	200,242	162,899	..	..	45,754	24,093	..	..	296,563	221,531
Finance/borrowing cost	..	..	205	119	..	..	1,398,968	1,821,917	(9,378)	(10,102)	1,389,795	1,811,934
Other expenses	7,270	8,565	28,576	11,730	..	..	4,063,179	3,856,984	(28,576)	(11,729)	4,070,449	3,865,550
Total expenses from continuing operations	184,314	180,009	322,259	189,912	..	(36)	5,534,057	5,728,799	(37,954)	(21,831)	6,002,676	6,076,853
Operating result from continuing operations before transfers to government	20,003,476	19,664,710	15,309,328	14,766,507	23,357	56,794	35,740	72,876	..	..	35,371,901	34,560,887
Transfers of administered comprehensive income to government	20,003,476	19,664,710	15,309,328	14,766,507	23,357	56,794	35,740	72,876	..	..	35,371,901	34,560,887
Total administered comprehensive income	..	..	..	..	..	..	..	..	..	..	..	..

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

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

The department 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.

	Economic and Fiscal Co-ordination		Revenue Management*		Industrial Relations*		Other **		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Assets and liabilities administered on behalf of the whole-of-government										
Current assets										
Cash and cash equivalents	(41,198)	(96,362)	91,864	68,086	..	..	(3,876,150)	(2,702,914)	(3,825,484)	(2,731,190)
Receivables	54,116	30,357	860,151	900,464	..	8,333	30,021	34,673	944,288	973,827
Other current assets	148	146	..	..	..	..	8,320	8,495	8,468	8,641
Total current assets	13,066	(65,859)	952,015	968,550	..	8,333	(3,837,809)	(2,659,746)	(2,872,728)	(1,748,722)
Non-current assets										
Receivables	..	..	..	..	..	..	75,672	88,471	75,672	88,471
Total non-current assets	..	..	..	..	..	..	75,672	88,471	75,672	88,471
Total administered assets	13,066	(65,859)	952,015	968,550	..	8,333	(3,762,137)	(2,571,275)	(2,797,056)	(1,660,251)
Current liabilities										
Payables	162,233	7,409	(22,547)	(24,083)	..	..	29,214	92,329	168,900	75,655
Transfer to government payable	(40,170)	35,727	935,826	952,120	..	8,333	8,186	23,510	903,842	1,019,690
Interest bearing liabilities	..	..	..	..	..	..	2,298,345	1,359,316	2,298,345	1,359,316
Other liabilities	..	..	38,290	40,067	..	..		..	38,290	40,067
Total current liabilities	122,063	43,136	951,569	968,104	..	8,333	2,335,745	1,475,155	3,409,377	2,494,728
Non-current liabilities										
Interest bearing liabilities	..	..	..	..	..	..	28,250,395	30,329,534	28,250,395	30,329,534
Total non-current liabilities	..	..	..	..	..	..	28,250,395	30,329,534	28,250,395	30,329,534
Total administered liabilities	122,063	43,136	951,569	968,104	..	8,333	30,586,140	31,804,689	31,659,772	32,824,262
Administered net assets	(108,997)	(108,995)	446	446	..	..	(34,348,277)	(34,375,964)	(34,456,828)	(34,484,513)

* 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 .

31 Grants and other contributions

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
GST revenue grant	15,128,564	13,939,043
National Partnership Payments - capital project	1,660,539	2,660,997
National Partnership Payments - recurrent project	477,773	557,297
Specific purpose - recurrent		
- Schools	1,551,299	1,414,448
- Skills and workforce development	299,240	296,292
- Disability services	406,317	341,285
- Affordable housing	272,138	269,497
Other	64,070	80,720
	19,859,938	19,559,579

* Refer note 5 accounting policy.

32 Taxes

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Taxes		
Duties	4,497,502	4,683,602
Payroll tax	3,947,625	3,735,578
Land tax	1,182,968	1,083,395
Gaming machine tax	715,054	683,767
Gold Lotto	221,960	206,793
Casino tax	104,092	98,466
Golden Casket	33,481	33,672
Keno tax	20,282	20,452
Wagering tax	9,452	9,917
Other taxes	1,961	2,241
	10,734,377	10,557,883
Levies		
Health services levy	84,549	72,800
	84,549	72,800
	10,818,926	10,630,683

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))*

32 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.

33 Royalties

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Mining royalties	4,263,206	3,846,737
	4,263,206	3,846,737

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.

34 Interest

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Interest from investments	13,825	32,748
Interest from trust funds *	16,623	17,027
Time value financial assets (non-cash)	3,915	4,101
Interest from loans	1,097	952
Other	120	113
	35,580	54,941

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

35 Appropriation revenue

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Budgeted administered item appropriation and equity	6,194,203	5,762,535
Transfer (to)/from other departments	14,667	25,628
Transfer (to)/from other heading	..	11,697
Lapsed appropriation	(219,792)	..
Unforeseen expenditure	..	1,068,359
Total administered item receipts including equity	5,989,078	6,868,219
Less opening balance of administered item receivable	..	(108,491)
plus opening balance of administered deferred appropriation payable	68,040	..
Less closing balance of administered deferred appropriation payable	(82,064)	(68,040)
Net appropriation revenue	5,975,054	6,691,688
Plus deferred appropriation expense payable to Consolidated Fund	82,064	68,040
Total administered appropriation revenue recognised in the Statement of Comprehensive Income including equity	6,057,118	6,759,728
This is represented by:		
Administered item revenue recognised in Statement of Comprehensive Income	5,944,629	6,082,395
Appropriated equity adjustment recognised in equity injection/(withdrawal)	112,489	677,333
Total administered appropriation revenue recognised in the Statement of Comprehensive Income including equity	6,057,118	6,759,728

36 Other revenue

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
SPER fines	219,731	218,130
Competitive neutrality fees	137,846	114,756
Proceeds of crime from the Public Trustee	8,137	11,103
Miscellaneous receipts	15,336	14,026
	381,050	358,015

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 has been transferred and registered with SPER, such as court, traffic offences and tolling fines. 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.

37 Supplies and services

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
GST administration expense remitted to the Commonwealth	126,477	136,905
Reinsurance expense	25,213	25,403
Administration fees	1,432	916
Other	4,732	4,572
	157,855	167,796

38 Impairment losses on receivables

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Impairment losses on receivables – Taxation	10,571	1,174
Impairment Loss Reversals - SPER	(71,000)	(14,000)
Bad debts written off *	148,442	22,868
	88,014	10,042

* 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, $128.4 million (refer to note 42).

39 Finance/borrowing costs

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Interest on loans – QTC	1,305,337	1,468,965
Interest paid by Treasury Offset Bank Account	1,856	1,871
Interest on loans – Commonwealth Government	1,063	914
Interest - other	57,565	12,630
Market Value Realisation charge on repayment of QTC borrowings	..	303,720
Administration fees	21,846	24,053
Unwind concessional loan discount - Commonwealth borrowings	2,295	1,005
Concessional loan discount - NDRRA loans *	(166)	(1,224)
	1,389,795	1,811,934

* represents the discount on initial recognition of NDRRA loans.

40 Other expenses

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Superannuation benefit payments	1,720,696	1,669,447
Annual leave central scheme claims paid	1,716,867	1,605,539
Long service leave reimbursements	411,868	372,644
Queensland Government Insurance Fund claims	131,209	121,956
Ex-gratia payments *	7,270	8,522
Sundry	82,539	87,442
	4,070,449	3,865,550

* 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.

41 Cash assets

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Cash at bank	(3,825,484)	(2,731,190)
Comprised of:		
Whole-of-Government Treasury Offset arrangement *	(3,899,974)	(2,735,481)
Other administered bank accounts	74,490	4,291
	(3,825,484)	(2,731,190)

* The WoG 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 WoG 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 WoG offset arrangement.

The QTC Cash Advances Fund is utilised to transfer government-owned corporations' surplus funds to the Treasury Offset arrangement (refer note 45).

The QTC Working Capital Facility is used for short term borrowings. The market value of the borrowings in the QTC Working Capital Facility at 30 June 2018 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 1.8% (2017: between 2.05% to 1.5%) along with an administration margin of 0.10% (2017: 0.10%).

A post balance date transfer of $0.5b (2017: $1.0b) occurred from the QTC borrowings to the WoG Treasury Offset Arrangement in line with the department's operating requirements, also refer note 45.

42 Receivables

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Current		
Debtors*	1,250,928	1,367,712
Less allowance for impairment*	(390,258)	(450,803)
	860,670	916,909
Competitive neutrality fees	36,002	29,403
Other advances	19,672	20,084
Sundry receivable	27,695	7,209
GST input tax credits receivable	249	223
	83,618	56,919
	944,288	973,828
Non-current		
Other advances	75,003	87,058
Sundry receivable	669	1,413
	75,672	88,471
	1,019,959	1,062,299

* The debtors balance includes receivables of $1006.7 million (2017: $980.2 million) for SPER fines. As at 30 June 2018, $345.0 million of the fines receivable were impaired (2017: $416.0 million) representing 34% of the total amount receivable (2017: 42%).

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Overdue		
Less than 30 days	31,586	65,641
30 to 60 days	22,762	26,850
61 to 90 days	31,104	26,068
Greater than 90 days	679,185	686,155
Total overdue	764,637	804,714

	2018 $'000	2017 $'000
Movements in allowance for impairment of impaired receivables		
Balance at 1 July	450,803	463,629
Amounts written off during the year	(20,054)	(22,868)
OIR MoG transfer out	(117)	..
Increase/(decrease) recognised in Statement of Comprehensive Income *	(40,373)	10,042
Balance at 30 June	390,258	450,803

* does not include amounts written off directly to bad debts expense, $128.4 million, (refer note 38).

Accounting Policy - Receivables

Administered receivables are recognised in line with revenue criteria, explained in notes 32–33.

42 Receivables (continued)

Ageing of individually impaired Receivables

Administered on behalf of the whole-of-government	2018			2017		
	Gross Receivables*	Allowance for impairment	Carrying amount	Gross Receivables*	Allowance for impairment	Carrying amount
Not due/overdue	$'000	$'000	$'000	$'000	$'000	$'000
Not yet due	200	(200)	..	32	(32)	..
Less than 30 days	844	(844)	..	194	(194)	..
30 to 60 days	530	(530)	..	1,049	(1,049)	..
61 to 90 days	533	(533)	..	610	(610)	..
Greater than 90 days	43,151	(43,151)	..	32,918	(32,918)	..
Total overdue	45,258	(45,258)	..	34,803	(34,803)	..

* gross receivables should be those receivables that have been individually impaired and not the total gross receivables in note 42 above.

Credit risk exposure of receivables

The department manages credit risk using a credit management strategy. This strategy focuses on the prompt collection of revenues due and payable to the department 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.

An allowance for impairment for tax collections is calculated based on the solvency status of the debtor and the age of the debt. SPER debts are impaired on consideration of 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 rates include rates 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.

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 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 the department determines that an amount owing by such a debtor does become uncollectible, 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 uncollectible but the uncollectible 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.

3 Other current assets

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Accrued revenue	148	146
Prepayments	8,320	8,495
	8,468	8,641

4 Payables

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Deferred appropriation payable to Consolidated Fund	82,064	68,040
Grants payable	80,903	..
Trade creditors	931	1,039
Other creditors	5,002	6,576
	168,900	75,655

45 Interest Bearing Liabilities

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Current		
Advances payable to GOC's*	2,284,333	1,345,079
Commonwealth borrowings	14,011	14,237
	2,298,345	1,359,316
Non-current		
QTC borrowings **	28,195,628	30,265,029
Commonwealth borrowings	58,891	70,782
Less concessional loan discount and unwind	(4,123)	(6,277)
	28,250,395	30,329,534

* 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 41). QTC charge interest at rates between 4.1% and 2.23% (2016–17: between 3.39% and 2.50%) along with an administration margin of 0.15% (2016–17: 0.15%).
** Interest of between 4.48% and 3.56% (2016-17: between 4.75% and 2.50%) is charged on WoG borrowings with QTC.

46 Other liabilities

	2018 $'000	2017 $'000
Administered on behalf of the whole-of-government		
Unearned revenue	37,840	39,500
Sundry liabilities	450	567
	38,290	40,067

Accounting Policy – Unearned revenue

Administered unearned revenue are recognised when money is receipted prior to the recognition criteria being met for revenue, as explained in notes 32-33.

47 Contingencies

Administered on behalf of WoG

Litigation in progress

As at 30 June 2018, the following number of cases were filed in the courts:

	Cases	Estimated Amount $'000
Supreme Court	9	1,617
Civil and Administrative Tribunal	14	7,766
Total	23	9,383

These cases relate to revenue collected by the Office of State Revenue. The department’s legal advisers and management believe there is insufficient information available to determine the outcome of the abovementioned cases. Accordingly, no provision has been taken up in Treasury’s financial statements.

48 Financial instruments

(a) Categorisation of financial instruments

Administered on behalf of the whole-of-government			
Category	**Notes**	**2018 $'000**	**2017 $'000**
Financial assets			
Cash and cash equivalents	41	(3,825,484)	(2,731,190)
Receivables*	42	1,019,959	1,062,298
Other accrued revenue	43	148	146
Total		(2,805,377)	(1,668,746)
Financial liabilities			
Payables	44	168,900	75,655
Transfer to government payable		903,842	1,019,690
Advances payable to GOCs	45	2,284,333	1,345,079
QTC borrowings**	45	28,195,628	30,265,029
Commonwealth borrowings held at amortised cost*	45	68,779	78,742
Other liabilities	46	450	567
Total		31,621,932	32,784,762

* Natural Disaster Relief and Recovery Arrangements loans (NDRRA) are carried at amortised cost, $94.7 million (2017: $107.1 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 the 2017–18 year the interest rate was 1.25% (2017: 1.16%), which was calculated as 50% of the 10-year Treasury bond rate, averaged over the three-month period between April and June 2017.

** Interest is charged on WoG borrowing with QTC at rates of between 3.56% and 4.48% (2017: between 2.50% and 4.75%) along with an administration margin at rates between 0.07% and 0.15% (2017: between 0.07% and 0.15%) which is accrued and paid quarterly to QTC.

(b) Financial risk management

The department'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 42.

The department adopts a risk-based revenue management framework in conjunction with debt management strategies to manage credit risk, refer to note 42 Receivables for further information.

The management of financial risks is integral to Treasury's overall governance framework. The department 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 WoG.

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).

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

(c) Liquidity risk

The department 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 the department. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Statement of Financial Position that are based on amortised cost.

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.

48 Financial instruments (continued)

(c) Liquidity risk (continued)

Administered on behalf of the whole-of-government

	Notes	2018 payable in < 1 year $'000	2018 payable in 1 - 5 years $'000	2018 payable in > 5 years $'000	Total undiscounted cash flow $'000	Carrying amount $'000
Financial liabilities						
Payables	44	168,900	..	..	168,900	168,900
Transfer to government payable		903,842	..	..	903,842	903,842
Commonwealth borrowings*	45	14,923	40,425	20,618	75,966	72,902
Advances payable to GOCs	45	2,284,333	..	..	2,284,333	2,284,333
QTC borrowings	45	1,187,885	4,749,129	28,165,988	34,103,002	28,195,628
Other liabilities	46	450	..	..	450	450
Total		4,560,333	4,789,554	28,186,606	37,536,493	31,626,055

Administered on behalf of the whole-of-government

	Notes	2017 payable in < 1 year $'000	2017 payable in 1 - 5 years $'000	2017 payable in > 5 years $'000	Total undiscounted cash flow $'000	Carrying amount $'000
Financial liabilities						
Payables	44	75,655	..	..	75,655	75,655
Transfer to government payable		1,019,690	..	..	1,019,690	1,019,690
Commonwealth borrowings*	45	15,579	42,387	30,657	88,623	85,019
Advances payable to GOCs	45	1,345,079	..	..	1,345,079	1,345,079
QTC borrowings	45	1,295,804	5,318,992	31,230,988	37,845,784	30,265,029
Other liabilities	46	567	..	..	567	567
Total		3,752,374	5,361,379	31,261,645	40,375,398	32,791,039

*Carrying amount excludes amortised cost component of Commonwealth borrowings.

(d) Market risk

Whilst 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. The department is exposed to interest rate risk through its borrowings, loans and advances and cash deposited in interest bearing accounts.

(e) 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 the department's financial assets and liabilities. This is mainly attributable to the department's exposure to variable interest rates on its borrowings from QTC, the Commonwealth and cash holdings.

48 Financial instruments (continued)

(e) Interest rate sensitivity analysis

Administered on behalf of the whole-of-government

Financial instruments	Carrying amount	2018 Interest rate risk -1% Transfer to government	-1% Equity	1% Increase in appropriation revenue	1% 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)

Administered on behalf of the whole-of-government

Financial instruments	Carrying amount	2017 Interest rate risk -1% Transfer to government	-1% Equity	1% Increase in appropriation revenue	1% Equity
	$'000	$'000	$'000	$'000	$'000
Cash	(2,735,481)	27,355	27,355	(27,355)	(27,355)
Receivables					
Loans and advances	85,019	(850)	(850)	850	850
Interest bearing liabilities					
Commonwealth borrowings	85,019	850	850	(850)	(850)
Advances payable to GOCs	1,345,079	13,451	13,451	(13,451)	(13,451)
QTC borrowings – Fixed Rate Debt Pool	7,898,605	..	..	..	..
QTC borrowings – General Debt Pool (floating rate)	22,366,424	15,586	15,586	(14,241)	(14,241)
Potential impact		56,392	56,392	(55,047)	(55,047)

(f) 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 and
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

48 **Financial instruments (continued)**

(f) Fair value (continued)

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 Level 1 $'000	Level 2 $'000	Level 3 $'000	2018 Total carrying amount $'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		**(1,541,150)**	..	..	**(1,541,150)**

Class		Classification according to fair value hierarchy Level 1 $'000	Level 2 $'000	Level 3 $'000	2017 Total Carrying Amount $'000
Financial assets and liabilities					
Cash and cash equivalent					
Other administered bank accounts		4,291	..	..	4,291
Whole-of-government Treasury Offset Arrangement		(2,735,481)	..	..	(2,735,481)
Interest bearing liabilities – Advances payable to GOCs		1,345,079	..	..	1,345,079
Total		**(1,386,111)**	..	..	**(1,386,111)**

The department does not recognise any financial assets or financial liabilities at fair value other than for cash and cash equivalents on its Statement of Financial Position.

The fair value of trade receivables, administered item revenue receivable, other accrued revenue, other assets, payables, transfer to government payable and other liabilities are assumed to approximate the value of the original transaction, less any provision for impairment.

The fair value of monetary financial assets and financial liabilities, other than QTC borrowings, is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

The fair value of borrowings is notified by 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	2018		2017	
Financial assets	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Receivables				
Loans and advances*	102,154	98,504	118,563	113,690
	102,154	98,504	118,563	113,690
Financial liabilities				
Interest bearing liabilities – Commonwealth borrowings*	72,902	70,468	85,019	82,653
Interest bearing liabilities – QTC borrowings	28,195,628	30,400,102	30,265,029	32,728,093
Total	28,268,530	30,470,570	30,350,048	32,810,746

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

49 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 33. Royalties – The increase reflects the impact of higher coal prices on coal royalties.

Note 34. Interest – The decrease is mainly due to less than anticipated interest on trust fund, partially offset by higher than budgeted interest on Treasurer's Cash Balances.

Note 38. Losses of receivables – The increase is mainly due to higher than anticipated impairments in the OSR ($122M) arising in part from the finalisation of legal proceedings. This is partially offset by lower than anticipated impairment losses in the SPER ($91.8M) driven by an impairment loss reversal of $71M as a result of a review into collection rates.

Face Grants and subsidies – The decrease is mainly due to lower than anticipated grant payments associated with the Jobs and Regional Growth Fund ($88.833M) and realignment of grant payment to the Cross River Rail Delivery Authority from 2017-18 to future years ($22M). This is partially offset by increased payments for the First Home Owners' Grant ($47.565M) and the one-off State Government contribution to the Cairns Innovation Centre ($10M).

Explanation of major variances for Statement of Financial Position

Note 41. Cash and cash equivalents – 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 WoG cash offset arrangements to facilitate the management of WoG cash position. As such, the balances in TOA fluctuate from year to year depending on the balances of other accounts within the WoG cash offset arrangements.

Note 42. Receivables (Current) – The decrease is primarily due to lower than anticipated mining royalties receivables recognised at year end, partially offset by lower than anticipated impairment losses in the SPER as a result of a review into collection rates.

Receivables (Non-Current) – The decrease is primarily due to reclassification of NDRRA Commonwealth and State loans from non-current to current ($18.697M).

Note 43. Other current assets - The decrease is primarily due to lower than anticipated recovery from the Queensland Reconstruction Authority for grant payments made to the Queensland Rural and Industry Development Authority.

Note 44. Payables (Current) - The increase is primarily due to unbudgeted appropriation payable to the Consolidated Fund and GST revenue to be returned to the Commonwealth Government.

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

Note 45. Interest bearing liabilities – The increase mainly represents unbudgeted advances received from government-owned corporations as part of the Cash Management Strategy.

50 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

The department paid grants to the Department of State Development, Manufacturing, Infrastructure and Planning and the Department of Education to support the objectives of the Back to Work Regional Employment package (note 10).

To support the Advance Queensland initiative the department 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 17).

The department received revenue from the Department of Justice and Attorney-General to undertake analysis of workers' compensation and courts data, from the Department of Education for education planning services and from Queensland Health for surveys of maternity outpatient clinic experience and general surgery outpatient clinic experience (note 4).

The department engaged QFleet for OIR's motor vehicle leases (note 9).

The department paid the Department of Public Works for the management of accommodation leases, Queensland Shared Services(QSS) for business service fees and for outsourcing of SPER contact centre and OIR's IT works and services. (The SPER contact centre expenses and OIR's IT works and services were paid to the then Department of Science, Information Technology and Innovation which ceased as a result of the MoG changes). (Note 9)

OIR received workplace health and safety contributions from WorkCover Queensland and Queensland Health; and electrical safety industry contributions from Energy Queensland (note 5).

OIR paid grant funding to Queensland Ambulance Services to undertake transport and pre-hospital patient care for injured workers under the Queensland Workers' Compensation Scheme (note 10).

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

The department paid grants and equity withdrawals for the development of an ICT system for the delivery of the Financial Assurance Framework Reforms to the Department of Environment and Science and DNRME (note 10).

The QTH consolidated entity invested funds with the QTC Cash Fund as at 30 June 2018 totalled $83.0 million (2017: $77.1 million) and interest revenue net of management fees received during the year totalled $1.8 million (2017: $1.6million).

The QTH consolidated entity has loan balances outstanding to QTC as at 30 June 2018 of $121.6 million ($2017: $130.4 million) with interest expense and fees totalling $6.1 million (2017: $6.5 million) capitalised against these loans.

QTC provides company secretariat and accounting services to the QTH consolidated entity. A fee of $370,240 (2017: $411,642) was charged for these services.

Administered transactions

The department 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 40).

The department operates a WoG offset arrangement, which includes the Treasury Offset Bank Account and a Working Capital Facility. Note 41 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 GOC's under the GOC cash offset arrangements (Note 45)

The department administers the collection of competitive neutrality fees from GOCs under the National Competition Policy (Note 36).

The department's State Revenue collection is responsible for administering local government tax equivalents under the *Local Government Act 2009* (note 32). 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.

The department receives appropriation revenue (note 3 and 35) provided in cash via the state's Consolidated Fund.

The department pays interest for borrowings it undertakes with QTC (note 39), note 41 outlines the key terms and conditions of those borrowings.

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

50 Related entity transactions with other government departments (continued)

The department administers the provision of State and Commonwealth loans and grants for NDRRA to Queensland Reconstruction Authority (QRA) and Queensland Rural and Industry Development Authority (QRIDA) (formerly Queensland Rural Adjustment Authority (QRAA), (note 42).

The department administered grant and equity withdrawal payments to statutory bodies including Queensland Productivity Commission (QPC), Queensland Competition Authority (QCA), Queensland Racing Integrity Commission (QRIC), Trade and Investment Queensland (TIQ), and the Cross River Rail Delivery Authorities. Refer to grants and subsidies on the Administered Statement of Comprehensive Income. Grant payments to TIQ and QRIC are only up to 31 December 2017 as a result of the MoG changes effective 1 January 2018.

The department administers the receipt of unclaimed money and proceeds of crime from the Public Trustee Office (PTO) for transfer to the Consolidated Fund (note 36).

51 Transfer payments

Payments under the Intergovernmental Agreement on Federal Financial Relations are made from the Commonwealth Treasury to the state and territory Treasuries. These payments represent Specific Purpose Payments, National Partnership Payments and general revenue assistance.

While most of these payments are receipted and paid out to departments via appropriation funding, some payments are passed on directly to the relevant entities. These payments occur where:

- the payment is ultimately for a third party, for example, non-government schools
- 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 2017-18 totalled $2.559 billion (2016–17: $2.403 billion):

- Department of Education (non-government schools, $2.548 billion (2016–17: $2.394 billion)
- Department of Agriculture and Fisheries (plant disease and eradication, $10.647 million) (2016–17: $2.245 million)
- (2016-17: National Insurance Affordability initiative, $7 million, former Department of Infrastructure, Local Government and Planning)

52 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 Treasury's accounts and are instead reported by the various departments. For the 2017–18 financial year the total value of grants paid was $249.462 million (2016–17: $219.507 million). The increase in 2017–18 is predominantly due to the inclusion of Back to Work grants paid from 1 January 2018 ($49.079 million), which following a MoG change, resulted in responsibility for the program moving to the Department of Employment, Small Business and Training (refer note 2).

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 WoG Long Service and Annual Leave Central Schemes and Employer Superannuation Contributions. The account balance as at 30 June 2018 was $3.481million (2016–17 $4.082 million), which represents money in transit to be identified as owing to either the Consolidated Fund and/or other government agencies.

53 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 $0.853 million (2016–17: $0.863 million) including interest earned for the year, $10,760.81 (2016–17: $15,946.02), which represents unspent funds advanced by agencies.

Accounting Policy

The department 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 (note 53).

As the department 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 the department, they are subject to the department's normal system of internal control and external audit by the Auditor-General (notes 51–54).

54 Trust transactions and balances

(a) 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.

	2018	2017
	$'000	$'000
Opening balance	17,415	14,670
Collections:		
Cash receipts	43,831	41,434
Debtor overpayments	(973)	(273)
Cash not receipted	(626)	(137)
Cash not banked	107	(124)
Other	37	(6)
Distributions to principals	(44,565)	(38,148)
Balance 30 June	15,226	17,415

CERTIFICATE OF QUEENSLAND TREASURY

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

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

(b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Treasury for the financial year ended 30 June 2018 and of the financial position of the department at the end of that year.

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

D. Brooks BComm, FCPA	J. Murphy BA, LLB, Master of Public Law
Chief Finance Officer	Under Treasurer
30 August 2018	30 August 2018

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 2018, 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 2018, 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 ($3.948 billion at 30 June 2018)

Refer to note 32 in the financial report

Key audit matter	How my audit addressed the 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.
 	
Completeness of revenue recognised is dependent on whether:
• all liable taxpayers have registered to pay payroll tax
• the amounts disclosed by taxpayers accurately reflect their operations, and thus the calculation base for the tax is complete.
 	
The department verifies taxpayer compliance using a risk-management approach, to ensure taxpayers are paying the correct amount of tax.
 	
The department has implemented an annual compliance program to address this risk.
	My procedures included, but were not limited to:
	• Testing the controls within the revenue management system to confirm the accuracy of the payroll tax calculation.
	• 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.
	• Performing the following analytical review over payroll tax income:
	  • analysing and corroborating the year on year trends at business partner level to identify any unusual movements/relationships
	  • 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
	  • 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 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 $219.731 million for 2017-18; receivables of $1,006.7 million at 30 June 2018)

Refer to notes 36, 38 and 42 in the financial report

Key audit matter	How my audit addressed the 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. Management judgement is required in assessing the extent to which debts may be impaired.	My procedures included but were not limited to: • 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. • Obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness. • Recalculating the long-term debt finalisation, withdrawal and recall rates to validate the mathematical accuracy of the model. • Recalculating the impairment charge by applying the longterm debt finalisation, withdrawal and recall rates to the debt pool and comparing the impairment charge to the general ledger.

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 2018:

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.

30 August 2018

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane