

# Financial statements



# Department of Environment and Resource Management

## Financial Statements

### for the financial year ended 30 June 2011

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#### **General information**

These financial statements report on the financial results Department of Environment and Resource Management for the financial year 1 July 2010 to 30 June 2011.

The Department of Environment and Resource Management is a Queensland Government department established under the *Public Service Act 2008*. It is controlled by the State of Queensland which is the ultimate parent.

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

Level 13  
400 George Street  
Brisbane Qld 4000

A description of the nature of the operations and principal activities of this department is included in the notes to these financial statements.

For information in relation to these financial statements please call (07) 3247 4497.

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

**Department of Environment and Resource Management  
Statement of Comprehensive Income  
for the year ended 30 June 2011**

	Notes	2011 \$'000	2010 \$'000
<b>Income from continuing operations</b>			
<b>Revenues</b>			
Departmental services revenue	4	746,980	738,156
User charges, fees and fines	5	71,126	76,785
Royalties, property and other territorial revenue	6	20,682	18,712
Grants and other contributions	7	103,572	86,916
Revaluation increment	9	44,027	-
Interest revenue	10	325	222
Other revenue	11	7,169	12,383
<b>Gains</b>			
Gain on sale of property, plant and equipment	12	212	566
<b>Total revenues from continuing activities</b>		<b>994,093</b>	<b>933,740</b>
<b>Expenses from continuing operations</b>			
Employee expenses	13	470,154	440,760
Supplies and services	14	252,986	245,143
Grants and subsidies	15	97,254	110,635
Rebates	16	227	8,488
Depreciation and amortisation	17	72,183	75,409
Impairment losses	18	4,963	-
Revaluation decrement	20	68,011	100,166
Finance/borrowing costs	21	150	199
Other expenses	22	16,217	15,073
<b>Total expenses from continuing activities</b>		<b>982,145</b>	<b>995,873</b>
<b>Surplus/(deficit) from continuing activities</b>		<b>11,948</b>	<b>(62,133)</b>
<b>Other comprehensive income</b>			
Increase/(decrease) in asset revaluation surplus	39	(4,343)	(1,632)
<b>Total other comprehensive income</b>		<b>(4,343)</b>	<b>(1,632)</b>
<b>Total comprehensive income</b>		<b>7,605</b>	<b>(63,765)</b>

*The accompanying notes form part of these statements*

**Department of Environment and Resource Management  
Statement of Comprehensive Income  
for the year ended 30 June 2011**

<i>Administered on a whole-of-Government basis</i>			
	Notes	2011 \$'000	2010 \$'000
<b>Income from continuing operations</b>			
<b>Revenue</b>			
Administered appropriation revenue	4	10,196	24,783
Fees and fines	5	222,718	238,693
Royalties, property and other territorial revenue	6	83,373	63,320
Grants and other contributions	7	397	3,596
Land transfers inwards	8	265,173	332,867
Revaluations increments	9	186	-
Interest revenue	10	3,969	2,717
Other revenue	11	19	216
<b>Gains</b>			
Gain on sale of property, plant and equipment	12	9,206	38,820
<b>Total income from continuing operations</b>		<b>595,237</b>	<b>705,012</b>
<b>Expenses from continuing operations</b>			
Supplies and services	14	1,445	766
Grants and subsidies	15	6,443	22,427
Rebates	16	-	181
Depreciation and amortisation	17	505	239
Land transfers outwards	19	79,918	50,792
Revaluation decrement	20	-	186
Other expenses	22	13,519	8,806
<b>Total expenses from continuing operations</b>		<b>101,830</b>	<b>83,397</b>
<b>Net operating result before transfers to government</b>		<b>493,407</b>	<b>621,615</b>
Transfers of administered item revenue to government		306,319	336,446
<b>Operating result from continuing operations</b>		<b>187,088</b>	<b>285,169</b>
<b>Other comprehensive income</b>			
Increase/(decrease) in asset revaluation surplus	39	1,851,418	116,898
<b>Total other comprehensive income</b>		<b>1,851,418</b>	<b>116,898</b>
<b>Total comprehensive income</b>		<b>2,038,506</b>	<b>402,067</b>

*The accompanying notes form part of these statements*

**Department of Environment and Resource Management  
Statement of Financial Position  
as at 30 June 2011**

	Notes	2011 \$'000	2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents	23	85,302	148,832
Receivables	24	49,640	51,014
Inventories	26	2,851	2,230
Unexpended advances	27	509	6,000
Other assets	28	6,633	7,828
		<u>144,935</u>	<u>215,904</u>
Non current assets classified as held for sale	29	218	218
<b>Total current assets</b>		<u>145,153</u>	<u>216,122</u>
<b>Non current assets</b>			
Receivables	24	3,680	1,861
Property, plant and equipment	30	3,477,350	3,461,495
Intangible assets	31	30,576	26,856
<b>Total non current assets</b>		<u>3,511,606</u>	<u>3,490,212</u>
<b>Total assets</b>		<u><u>3,656,759</u></u>	<u><u>3,706,334</u></u>
<b>Current liabilities</b>			
Payables	33	28,265	43,689
Accrued employee benefits	34	13,079	12,662
Proposals and deposits	35	14	38
Other financial liabilities	36	577	577
Other liabilities	37	30,067	97,870
<b>Total current liabilities</b>		<u>72,002</u>	<u>154,836</u>
<b>Non current liabilities</b>			
Non current borrowings	36	742	1,319
<b>Total non current liabilities</b>		<u>742</u>	<u>1,319</u>
<b>Total liabilities</b>		<u>72,744</u>	<u>156,155</u>
<b>Net assets</b>		<u>3,584,015</u>	<u>3,550,179</u>
<b>Equity</b>			
Contributed equity	38	3,611,706	3,585,475
Retained surpluses		(27,691)	(39,639)
Asset revaluation surplus	39	-	4,343
<b>Total equity</b>		<u>3,584,015</u>	<u>3,550,179</u>

*The accompanying notes form part of these statements*

**Department of Environment and Resource Management  
Statement of Financial Position  
as at 30 June 2011**

<i>Administered on a whole-of-Government basis</i>			
	Notes	2011 \$'000	2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents	23	39,055	28,827
Receivables	24	70,129	56,912
		109,184	85,739
Non current assets classified as held for sale	29	3,700	95
<b>Total current assets</b>		<b>112,884</b>	<b>85,834</b>
<b>Non current assets</b>			
Receivables	24	54,443	57,743
Property, plant and equipment	30	66,664,635	64,613,367
<b>Total non current assets</b>		<b>66,719,078</b>	<b>64,671,110</b>
<b>Total assets</b>		<b>66,831,962</b>	<b>64,756,944</b>
<b>Current liabilities</b>			
Payables	33	37,571	36,931
Proposals and deposits	35	30,518	24,650
Other liabilities	37	5,580	5,063
<b>Total current liabilities</b>		<b>73,669</b>	<b>66,644</b>
<b>Total liabilities</b>		<b>73,669</b>	<b>66,644</b>
<b>Net assets</b>		<b>66,758,293</b>	<b>64,690,300</b>
<b>Equity</b>			
Contributed equity	38	23,830,560	23,801,073
Retained surpluses		498,866	311,778
Asset revaluation surplus	39	42,428,868	40,577,449
<b>Total equity</b>		<b>66,758,293</b>	<b>64,690,300</b>

*The accompanying notes form part of these statements*

**Department of Environment and Resource Management  
Statement of Changes in Equity  
for the year ended 30 June 2011**

	Contributed equity (note 38)		Retained surpluses		Asset revaluation surplus (note 39)		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Balance at 1 July 2010</b>	3,585,475	3,542,782	(39,639)	22,494	4,343	5,975	3,550,179	3,571,251
Operating results from continuing operations								
Increase/(decrease) in asset revaluation surplus		-	11,948	(62,133)	-	-	11,948	(62,133)
Transactions with owners as owners					(4,343)	(1,632)	(4,343)	(1,632)
Equity injections (note 4)	44,292	100,714	-	-	-	-	44,292	100,714
Equity withdrawals (note 4)	(48,621)	(62,736)	-	-	-	-	(48,621)	(62,736)
Non appropriated equity withdrawals	(20,727)	(70,609)	-	-	-	-	(20,727)	(70,609)
Net transfer of assets/liabilities from other government agencies	51,287	75,324	-	-	-	-	51,287	75,324
<b>Balance at 30 June 2011</b>	<b>3,611,706</b>	<b>3,585,475</b>	<b>(27,691)</b>	<b>(39,639)</b>	<b>-</b>	<b>4,343</b>	<b>3,584,015</b>	<b>3,550,179</b>

The accompanying notes form part of these statements

**Department of Environment and Resource Management  
Statement of Changes in Equity  
for the year ended 30 June 2011**

Administered on a whole-of-Government basis	Contributed equity (note 38)		Retained surpluses		Asset revaluation surplus (note 39)		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Balance at 1 July 2010</b>	23,801,073	23,593,224	311,778	26,608	40,577,449	40,460,551	64,690,300	64,080,383
Operating results from continuing operations	-	-	187,088	285,169	-	-	187,088	285,169
Increase/(decrease) in asset revaluation surplus	-	-	-	-	1,851,418	116,898	1,851,419	116,898
Transactions with owners as owners								
Equity injections (note 4)	72,795	(241)	-	-	-	-	72,795	(241)
Non appropriated equity injections	-	1,837	-	-	-	-	-	1,837
Non appropriated equity withdrawals	(43,229)	(456,360)	-	-	-	-	(43,229)	(456,360)
Net transfer of assets/liabilities from other government agencies	(119)	-	-	-	-	-	(119)	-
Net assets received via machinery-of-Government	40	-	-	-	-	-	40	-
Transfers of land (to) from other government and related agencies	-	662,613	-	-	-	-	-	662,613
<b>Balance at 30 June 2011</b>	<b>23,830,560</b>	<b>23,801,073</b>	<b>498,866</b>	<b>311,777</b>	<b>42,428,868</b>	<b>40,577,449</b>	<b>66,758,294</b>	<b>64,690,299</b>

The accompanying notes form part of these statements

**Department of Environment and Resource Management  
Statement of Comprehensive Income by Major Departmental Services  
for the year ended 30 June 2011**

	Notes	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Departmental services receipts		745,116	728,804
User charges		82,038	85,623
Grants and other contributions		98,720	80,964
Royalties, property and other territorial receipts		20,164	18,968
Interest receipts		282	217
GST input tax credits received from Australian Taxation Office		8,699	31,942
Other		4,261	57,567
<i>Outflows:</i>			
Employee expenses		(470,535)	(436,810)
Supplies and services		(275,544)	(260,127)
Grants and subsidies		(92,420)	(122,159)
GST remitted to Australian Taxation Office		(2,880)	(6,047)
Borrowing costs		(150)	(199)
Rebates		(227)	(8,488)
Other		(81,432)	(13,921)
<b>Net cash from operating activities</b>	40	<u>36,092</u>	<u>156,334</u>
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Sales of property, plant and equipment		324	1,130
<i>Outflows:</i>			
Payments for property, plant and equipment and intangibles		(72,372)	(58,420)
Investments acquired		(1,858)	(1,423)
Finance leases – state land		(47)	(20)
<b>Net cash (used in) investing activities</b>		<u>(73,954)</u>	<u>(58,733)</u>
<b>Cash flows from financing activities</b>			
<i>Inflows:</i>			
Equity injections		44,257	100,714
<i>Outflows:</i>			
Borrowing redemptions		(577)	(529)
Equity withdrawals		(48,621)	(62,736)
Non appropriated equity withdrawals		(20,727)	(70,609)
<b>Net cash provided by (used in) financing activities</b>		<u>(25,668)</u>	<u>(33,160)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		(63,530)	64,442
Cash and cash equivalents at beginning of financial year		148,832	84,390
<b>Cash and cash equivalents at end of financial year</b>	23	<u>85,302</u>	<u>148,832</u>

*The accompanying notes form part of these statements*

**Department of Environment and Resource Management  
Statement of Comprehensive Income by Major Departmental Services  
for the year ended 30 June 2011**

<i>Administered on a whole-of-Government basis</i>			
	Notes	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Administered appropriation revenue received from Queensland Treasury		12,258	23,631
Fees and fines		215,572	245,287
Grants and other contributions		398	3,596
Royalties, property and other territorial receipts		71,910	71,299
Interest receipts		3,627	2,676
GST input tax credits received from Australian Taxation Office		397	625
Other		2,622	97
<i>Outflows:</i>			
Administered appropriation revenue returned to Queensland Treasury		-	-
Transfers of administered item revenue to government		(303,349)	(325,404)
Grants and subsidies		(549)	(28,461)
Supplies and services		(2,653)	(5,230)
GST remitted to Australian Taxation Office		583	(8,714)
Rebates			(181)
Other		(12,816)	(3,885)
<b>Net cash (used in) operating activities</b>	40	<u>(12,000)</u>	<u>(24,664)</u>
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Sales of property, plant and equipment		40,970	494,459
Finance leases redeemed – state land		5,782	5,087
<i>Outflows:</i>			
Payments for property, plant and equipment		(51,685)	(15,447)
Finance leases – state land		(2,449)	(13,439)
<b>Net cash provided by investing activities</b>		<u>(7,382)</u>	<u>470,660</u>
<b>Cash flows from financing activities</b>			
<i>Inflows:</i>			
Equity injections		72,838	(284)
Non appropriated equity injections		-	1,837
<i>Outflows:</i>			
Equity withdrawals		-	-
Non appropriated equity withdrawals		(43,229)	(456,360)
<b>Net cash provided by (used in) financing activities</b>		<u>29,609</u>	<u>(454,807)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		10,228	(8,811)
Administered cash and cash equivalents at beginning of financial year		28,827	37,638
<b>Administered cash and cash equivalents at end of financial year</b>	23	<u>39,055</u>	<u>28,827</u>

*The accompanying notes form part of these statements*

**Department of Environment and Resource Management  
Statement of Comprehensive Income by Major Departmental Services  
for the year ended 30 June 2011**

	Climate Change	Environment	Land	Water	Total
	2011	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income from continuing operations *</b>					
<b>Revenue</b>					
Departmental services revenue	20,979	358,470	219,254	148,277	746,980
User charges	1,280	22,815	41,285	5,746	71,126
Royalties, property and other territorial revenue	7	1,248	19,382	45	20,682
Grants and other contributions	2,339	81,864	5,388	13,981	103,572
Revaluation Increment	187	42,164	1,120	556	44,027
Interest revenue	-	279	13	33	325
Other revenue	86	5,454	982	647	7,169
<b>Gains</b>					
Gain on sale of property, plant and equipment	-	162	46	4	212
<b>Total income from continuing operations</b>	<b>24,878</b>	<b>512,456</b>	<b>287,470</b>	<b>169,289</b>	<b>994,093</b>
<b>Expenses from continuing operations *</b>					
Employee expenses	13,495	230,459	141,036	85,164	470,154
Supplies and services	34,721	113,643	57,958	46,664	252,986
Grants and subsidies	3,175	56,817	2,819	34,443	97,254
Rebates	-	227	-	-	227
Depreciation and amortisation	846	59,394	7,651	4,292	72,183
Impairment Losses	-	4,963	-	-	4,963
Revaluation decrement	289	65,133	1,730	859	68,011
Finance/borrowing costs	150	-	-	-	150
Other expenses	192	5,799	9,815	411	16,217
<b>Total expenses from continuing operations</b>	<b>52,868</b>	<b>536,435</b>	<b>221,009</b>	<b>171,833</b>	<b>982,145</b>
<b>Operating result from continuing operations</b>	<b>(27,990)</b>	<b>(23,979)</b>	<b>66,461</b>	<b>(2,544)</b>	<b>11,948</b>

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

Income from ordinary activities	5,112	87,298	53,424	32,260	178,094
Expenses from ordinary activities	5,112	87,298	53,424	32,260	178,094

*The accompanying notes form part of these statements*

**Department of Environment and Resource Management  
Statement of Comprehensive Income by Major Departmental Services  
for the year ended 30 June 2011**

	Climate Change	Environment	Land	Water	Total
	2010	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income from continuing operations *</b>					
<b>Revenue</b>					
Departmental services revenue	45,589	290,967	237,866	163,734	738,156
User charges	2,418	24,582	45,772	4,013	76,785
Royalties, property and other territorial revenue	58	1,074	17,501	79	18,712
Grants and other contributions	5,348	30,260	6,823	44,485	86,916
Interest revenue	-	180	27	15	222
Other revenue	4,671	5,403	1,515	795	12,383
<b>Gains</b>					
Gain on sale of property, plant and equipment	184	279	88	14	566
<b>Total income from continuing operations</b>	<b>58,268</b>	<b>352,745</b>	<b>309,592</b>	<b>213,135</b>	<b>933,740</b>
<b>Expenses from continuing operations *</b>					
Employee expenses	24,682	180,250	150,598	85,230	440,760
Supplies and services	26,258	115,543	59,844	43,498	245,143
Rebates	4,718	3,562	208	-	8,488
Grants and subsidies	3,924	5,020	4,403	97,288	110,635
Depreciation and amortisation	801	62,226	8,381	4,001	75,409
Revaluation decrement	258	97,096	1,798	1,014	100,166
Finance/borrowing costs	199	-	-	-	199
Other expenses	1,709	5,231	6,484	1,649	15,073
<b>Total expenses from continuing operations</b>	<b>62,549</b>	<b>468,928</b>	<b>231,716</b>	<b>232,680</b>	<b>995,873</b>
<b>Operating result from continuing operations</b>	<b>(4,281)</b>	<b>(116,183)</b>	<b>77,876</b>	<b>(19,545)</b>	<b>(62,133)</b>

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

Income from ordinary activities	9,907	72,547	60,446	34,209	177,108
Expenses from ordinary activities	9,907	72,547	60,446	34,209	177,108

*The accompanying notes form part of these statements*

**Department of Environment and Resource Management  
Statement of Comprehensive Income by Major Departmental Services  
for the year ended 30 June 2011**

<i>Administered on a whole-of-Government basis</i>	<b>Climate Change</b>	<b>Environment</b>	<b>Land</b>	<b>Water</b>	<b>Total</b>
	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Income from continuing operations</b>					
<b>Revenue</b>					
Administered appropriation revenue	-	5,025	3,223	1,948	10,196
Fees and fines	-	43,688	173,995	5,036	222,718
Royalties, property and other territorial revenue	-	839	80,658	1,876	83,373
Grants and other contributions	-	-	-	397	397
Land transfers inwards	-	-	265,173	-	265,173
Revaluation increments	-	-	79	106	186
Interest revenue	-	-	3,966	3	3,969
Other revenue	-	-	-	19	19
<b>Gains</b>					
Gain on sale of property, plant and equipment	-	-	9,206	-	9,206
<b>Total income from continuing operations</b>	-	49,552	536,300	9,385	595,237
<b>Expenses from continuing operations</b>					
Supplies and services	-	-	216	1,229	1,445
Grants and subsidies	-	2,307	2,613	1,523	6,443
Rebates	-	-	-	-	-
Depreciation and amortisation	-	-	309	196	505
Land transfers outwards	-	-	79,918	-	79,918
Revaluation decrement	-	-	-	-	-
Other expenses	-	465	13,010	44	13,519
<b>Total expenses from continuing operations</b>	-	2,772	96,066	2,992	101,830
<b>Net operating result before transfers to government</b>		46,780	440,234	6,393	493,407
Transfers of administered item revenue government	-	3,529	300,737	2,053	306,319
<b>Operating result from continuing operations</b>	-	43,251	139,497	4,340	187,088

*The accompanying notes form part of these statements*

**Department of Environment and Resource Management  
Statement of Comprehensive Income by Major Departmental Services  
for the year ended 30 June 2011**

<i>Administered on a whole-of-Government basis</i>	<b>Climate Change</b>	<b>Environment</b>	<b>Land</b>	<b>Water</b>	<b>Total</b>
	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Income</b>					
<b>Revenue</b>					
Administered appropriation revenue	-	7,516	14,547	2,721	24,783
Fees and fines	-	27,626	208,427	2,640	238,693
Royalties, property and other territorial revenue	-	591	61,638	1,091	63,320
Grants and other contributions	-	-	-	3,596	3,596
Land transfers inwards	-	-	332,867	-	332,867
Interest revenue	-	-	2,714	3	2,717
Other revenue	-	66	127	23	216
<b>Gains</b>					
Gain on sale of property, plant and equipment	-	-	38,820	-	38,820
<b>Total income</b>	-	35,799	659,140	10,073	705,012
<b>Expenses</b>					
Supplies and services	-	-	15	751	766
Grants and subsidies	-	6,351	12,357	3,719	22,427
Rebates	-	-	-	181	181
Depreciation and amortisation	-	54	107	78	239
Land transfers outwards	-	-	50,792	-	50,792
Revaluation decrement	-	-	89	97	186
Other expenses	-	8	8,658	140	8,806
<b>Total expenses</b>	-	6,413	72,018	4,966	83,397
<b>Net operating result before transfers to government</b>	-	29,385	587,122	5,108	621,615
Transfers of administered item revenue to government	-	15,011	321,435	-	336,446
<b>Operating result from continuing operations</b>	-	14,374	265,687	5,108	285,169

*The accompanying notes form part of these statements*

**Department of Environment and Resource Management  
Statement of Assets and Liabilities by Major Departmental Services  
as at 30 June 2011**

	Climate Change	Environment	Land	Water	General Not Attributable	Total
	2011	2011	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	85,302	85,302
Receivables	-	-	-	-	49,640	49,640
Inventories	289	-	15	2,547	-	2,851
Unexpended advances	-	-	509	-	-	509
Other assets	(12)	3,506	1,916	1,223	-	6,633
	277	3,506	2,440	3,770	134,942	144,935
Non current assets classified as held for sale	15	116	46	41	-	218
<b>Total current assets</b>	292	3,622	2,486	3,811	134,942	145,153
<b>Non current assets</b>						
Receivables	3,281	-	399	-	-	3,680
Property, plant and equipment	18,869	3,351,900	66,934	39,647	-	3,477,350
Intangibles	189	11,986	13,048	5,353	-	30,576
<b>Total non current assets</b>	22,339	3,363,886	80,381	45,000	-	3,511,606
<b>Total assets</b>	22,631	3,367,508	82,867	48,811	134,942	3,656,759
<b>Current liabilities</b>						
Payables	1,012	14,957	6,940	5,356	-	28,265
Accrued employee benefits	(939)	4,918	6,929	2,171	-	13,079
Proposals and deposits	-	14	-	-	-	14
Other financial liabilities	577	-	-	-	-	577
Other liabilities	(445)	(3,029)	34,720	(1,179)	-	30,067
<b>Total current liabilities</b>	205	16,860	48,589	6,348	-	72,002
<b>Non current liabilities</b>						
Other financial liabilities	742	-	-	-	-	742
<b>Total non current liabilities</b>	742	-	-	-	-	742
<b>Total liabilities</b>	947	16,860	48,589	6,348	-	72,744
<b>Net assets</b>	21,684	3,350,648	34,278	42,463	134,942	3,584,015

*The department has systems in place to allocate assets and liabilities by output*

**Department of Environment and Resource Management  
Statement of Assets and Liabilities by Major Departmental Services  
as at 30 June 2011**

	Climate Change	Environment	Land	Water	General Not Attributable	Total
	2010	2010	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	148,832	148,832
Receivables	-	-	-	-	51,014	51,014
Inventories	279	-	41	1,910	-	2,230
Unexpended advances	3,336	2,518	145	-	-	6,000
Other assets	(33)	4,052	2,225	1,585	-	7,828
	3,582	6,570	2,411	3,495	199,846	215,904
Non current assets classified as held for sale	13	115	46	44	-	218
<b>Total current assets</b>	3,595	6,685	2,457	3,539	199,846	216,122
<b>Non current assets</b>						
Receivables	792	597	516	(44)	-	1,861
Property, plant and equipment	5,882	3,358,929	54,856	41,827	-	3,461,495
Intangibles	841	5,560	14,871	5,583	-	26,856
<b>Total non current assets</b>	7,515	3,365,087	70,243	47,367	-	3,490,212
<b>Total assets</b>	11,110	3,371,772	72,700	50,906	199,846	3,706,334
<b>Current liabilities</b>						
Payables	4,098	18,292	10,915	10,384	-	43,689
Accrued employee benefits	(482)	(1,455)	10,017	4,582	-	12,662
Proposals and deposits	-	25	13	-	-	38
Other financial liabilities	577	-	-	-	-	577
Other liabilities	(290)	(2,468)	101,638	(1,010)	-	97,870
<b>Total current liabilities</b>	3,903	14,394	122,583	13,956	-	154,836
<b>Non current liabilities</b>						
Other financial liabilities	1,319	-	-	-	-	1,319
<b>Total non current liabilities</b>	1,319	-	-	-	-	1,319
<b>Total liabilities</b>	5,222	14,394	122,583	13,956	-	156,155
<b>Net assets</b>	5,888	3,357,378	(49,883)	36,950	199,846	3,550,179

**Department of Environment and Resource Management  
Statement of Assets and Liabilities by Major Departmental Services  
as at 30 June 2011**

<i>Administered on a whole-of-Government basis</i>						
	<b>Climate Change</b>	<b>Environment</b>	<b>Land</b>	<b>Water</b>	<b>General Not Attributable</b>	<b>Total</b>
	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	39,055	39,055
Receivables	-	-	-	-	70,129	70,129
	-	-	-	-	109,184	109,184
Non current assets classified as held for sale	-	-	3,700	-	-	3,700
<b>Total current assets</b>	-	-	3,700	-	109,184	112,884
<b>Non current assets</b>						
Receivables	-	-	54,443	-	-	54,443
Property, plant and equipment	-	-	66,647,512	17,123	-	66,664,635
<b>Total non current assets</b>	-	-	66,701,955	17,123	-	66,719,078
<b>Total assets</b>	-	-	66,705,655	17,123	109,184	66,831,962
<b>Current liabilities</b>						
Payables	4	15,312	22,255	-	-	37,751
Proposals and deposits	-	-	30,518	-	-	30,518
Other liabilities	-	(14)	5,594	-	-	5,580
<b>Total current liabilities</b>	4	15,298	58,367	-	-	73,669
<b>Total liabilities</b>	4	15,298	58,367	-	-	73,669
<b>Net assets</b>	(4)	(15,298)	66,647,288	17,123	109,184	66,758,293

*The department has systems in place to allocate assets and liabilities by output.*

**Department of Environment and Resource Management  
Statement of Assets and Liabilities by Major Departmental Services  
as at 30 June 2011**

<i>Administered on a whole-of-Government basis</i>						
	Climate Change	Environment	Land	Water	General Not Attributable	Total
	2010	2010	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>						
Cash and cash equivalents	-	-	-	-	28,827	28,827
Receivables	-	-	-	-	56,912	56,912
	-	-	-	-	85,739	85,739
Non current assets classified as held for sale	-	-	95	-	-	95
<b>Total current assets</b>	-	-	95	-	85,739	85,834
<b>Non current assets</b>						
Receivables	-	-	57,743	-	-	57,743
Property, plant and equipment	-	-	64,596,378	16,989	-	64,613,367
<b>Total non current assets</b>	-	-	64,654,121	16,989	-	64,671,110
<b>Total assets</b>	-	-	64,654,216	16,989	85,739	64,756,944
<b>Current liabilities</b>						
Payables	-	362	34,030	2,539	-	36,931
Proposals and deposits	-	-	24,650	-	-	24,650
Other liabilities	-	-	5,063	-	-	5,063
<b>Total current liabilities</b>	-	362	63,743	2,539	-	66,644
<b>Total liabilities</b>	-	362	63,743	2,539	-	66,644
<b>Net assets</b>	-	(362)	64,590,473	14,450	85,739	64,690,300

*The department has systems in place to allocate assets and liabilities by output.*

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

Note	Note title
1	Objectives and principal activities of the department
2	Major departmental services
3	Summary of significant accounting policies
4	Reconciliation of payments from consolidated fund
5	User charges, fees and fines
6	Royalties, property and other territorial revenue
7	Grants and other contributions
8	Land transfers inwards
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10	Interest revenue
11	Other revenue
12	Gain on sale of property, plant and equipment
13	Employee expenses
14	Supplies and services
15	Grants and subsidies
16	Rebates
17	Depreciation and amortisation
18	Impairment losses
19	Land transfers outwards
20	Revaluation decrements
21	Finance/borrowing costs
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23	Cash and cash equivalents
24	Receivables
25	Leases
26	Inventories
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29	Non current assets classified as held for sale
30	Property, plant and equipment
31	Intangibles
32	Biological assets
33	Payables
34	Accrued employee benefits
35	Proposals and deposits
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37	Other liabilities
38	Contributed equity reconciliation
39	Asset revaluation surplus
40	Reconciliation of net operating result from continuing operations to net cash
41	Commitments for expenditure
42	Contingencies
43	Controlled entities
44	Interest in joint ventures
45	Financial instruments
46	Trust transactions and balances

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**1. Objectives and principal activities of the department**

**Role of the department**

The Department of Environment and Resource Management conserves and manages the environment and natural resources for the benefit of all Queenslanders.

The department's key areas of responsibility are:

- delivering fit-for-purpose services to our clients;
- meeting the challenge of climate change;
- managing Queensland's land, water and vegetation resources responsibly;
- protecting and enhancing the state's natural environment and cultural heritage; and
- securing water for Queensland's future

**Departmental vision**

A green, strong and sustainable Queensland

**Objectives of the department**

The department's objectives are:

- for client needs being understood and met;
- for Queensland being prepared for climate change;
- having healthy, protected and bio-diverse ecosystems;
- having well managed natural resources; and
- that Indigenous land access and ownership is improved and Queensland's cultural heritage is conserved.

This department supports and participates in the State Government's plan for the future - *Toward Q2: Tomorrow's Queensland*.

**Sources of departmental funding**

The department is principally funded for the services it delivers by parliamentary appropriations, with further funding sourced from:

- grants and other contribution revenue from Commonwealth, State and local governments and external bodies to undertake designated activities;
- sales of titles, valuations and other information, provision of mapping, aerial photography and related products and through the delivery of certain corporate services to external agencies;
- royalties from timber and quarry material sales; and
- a range of fees and permits relating to visitations, use and camping in the State's National Parks.

**2. Major departmental services**

The Department of Environment and Resource Management conducts its business through the following four service areas:

• **Climate Change**

This departmental service delivers initiatives aimed at reducing Queensland's carbon footprint and preparing Queensland for the impact of climate change. Through this service, the department provides support to the Premier's Council on Climate Change and administers the Queensland Climate Change Fund which provides funding for new climate change initiatives. This service also works with Queenslanders to reduce and reuse waste and to conserve water at home, work and in communities.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**2. Major departmental services (continued)**

• **Environment**

The environment service covers a substantial portion of departmental business aimed at conserving our natural environment. It includes the activities of the Queensland Parks and Wildlife Service and a wide range of services aimed at protecting Queensland's biodiversity, its natural environment and resources and preventing or controlling pollution and achieving resource recovery.

• **Land**

This service delivers policies and programs which are designed to ensure sustainable and productive use of the State's land resources, stock route management, resolution of native title issues, the sale of quarry materials and forest products from State lands, and the management of Indigenous and Queensland's cultural heritage.

It also delivers initiatives to develop and provide high quality spatial and other information requirements including mapping, land ownership (titles and registrations), valuations and land tenure functions required for effective planning and development of the State.

• **Water**

The water service works to ensure safe, secure, sustainable and equitable use of water and ecosystem resources and the protection of our natural environment. This is achieved through monitoring, reporting and evaluation activities to support planning, allocation and management of the State's water.

**3. Summary of significant accounting policies**

**(a) Basis of accounting**

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

These general purpose financial statements have been prepared on an accrual basis, in accordance with Australian Accounting Standards and Interpretations. In addition, these financial statements comply with the Treasury's Minimum Reporting Requirements for the period ending 30 June 2011 and other authoritative pronouncements.

Being a not for profit entity, the department has applied the requirements of Australian Accounting Standards and interpretations applicable to not-for-profit entities.

Except where stated, the historical cost convention is used.

**(b) The reporting entity**

These financial statements include the value of all revenues, expenses, assets, liabilities and equity of the department and the entities it controls, where these entities are material.

Ecofund Pty Ltd is a controlled entity of the department. Its activities undertaken this year are not considered to be material and therefore are not consolidated into the values reported in these statements. Ecofund Pty Ltd is the Trustee of the Balance the Earth Trust. Refer note 43.

The major services undertaken by the department are disclosed in note 2.

These financial statements also incorporate the financial balances of the Joint Field Management Program of the Great Barrier Marine Park Authority as managed by the Queensland Parks and Wildlife division of this department and the financial balances of the Wet Tropics Management Authority.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**(c) Administered transactions and balances**

The department administers, but does not control, certain resources on behalf of the Government. 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.

The principal resource administered by the department is state-owned land (which includes leasehold land, land under roads, unallocated state land and reserves) with associated activities being the allocation and management of this land.

**(d) Trust and agency transactions and balances**

The department holds cash and bank guarantees on behalf of companies and individuals for the following:

- a. As a condition of volumetric leases entered into under the *Land Act 1994*, the lessee is required to provide a security in the form of a bank guarantee to be retained by the department to ensure compliance with specific requirements. The security together with the lease agreement commits the lessee to perform specific reparation conditions set out in the lease.
- b. As a condition of the environmental authority for petroleum and gas leases under the *Environmental Protection Act 1994*, applicants are required to provide financial security in the form of cash or bank guarantee to ensure compliance with specific requirements set by the state of petroleum and gas activities, to prevent or minimise any environmental harm, or to rehabilitate or restore the environment. The security is held to protect the State should the lessee not meet the conditions set out in the environmental authority.
- c. As a condition of other miscellaneous environment management sections of the *Environmental Protection Act 1994* and other relevant Acts, financial assurances are held in the form of cash or bank guarantee to ensure compliance with specific environmental requirements as determined.
- d. As a condition of forestry products timber sales contracts, a financial security of cash or bank guarantee must be provided to the department to ensure achievement of specific requirements. Upon receipt of the cash deposits, the department recognises interest accrued during the period the department has custody of the moneys. The amount of interest accrued each year is recognised as an expense.
- e. For development applications under the *Vegetation Management Act 1999* and *Sustainable Planning Act 2009* (formerly *Integrated Planning Act 1997*), applicants may be required to provide financial security of cash or bank guarantee as a means of meeting a particular aspect of a vegetation management code. The security together with the agreement commits the developer to providing a vegetation offset within twelve months. No interest is paid by the department in respect to the cash security held.

As the department acts only in a custodial role in respect of these transactions and balances, they are not recognised in the financial statements, but are disclosed in note 46. Applicable audit arrangements are also shown.

**(e) Departmental services revenue/administered revenue**

Appropriations provided under the annual Appropriation Act are recognised as revenue when received. Approval has been obtained from Queensland Treasury to recognise specific adjustments to departmental services revenue. Refer to note 4.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' item appropriations with the related payments being recorded as administered expenses. Approval has been obtained from Queensland Treasury to recognise specific adjustments to administered appropriation revenue. Refer to note 4.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**(f) User charges, fees and fines**

User charges and fees controlled by the department are recognised as revenues and are invoiced when revenue has been earned and can be measured reliably with a sufficient degree of certainty. User charges and fees are controlled by the department where they can be deployed for the achievement of departmental objectives. Refer to note 5.

Fees and fines collected, but not controlled, by the department are reported as administered revenue. Refer to note 5.

**(g) Grants and other contributions**

Grants, contributions, donations and gifts, non reciprocal in nature, are recognised as revenue in the year in which the department obtains control over them.

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

**(h) Cash and cash equivalents**

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash on hand, cash at bank and cash and cheques received but not banked at 30 June 2011, as well as deposits at call with financial institutions.

**(i) Receivables**

Trade debtors are recognised at the amounts due at the time of sale or service delivery, ie. the agreed sales/contract price. Settlement of these amounts is required within ranged trading terms of 14 days to 30 days from invoice date depending on the service provided.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June 2011.

Various regulatory legislations on which some of these receivables are raised contain hardship provisions enabling clients to apply for hardship relief in the payment of their debts.

Other debtors generally arise from transactions outside the usual operating activities of the department and are recognised at their assessed values. Other than receivables from government, settlement terms of these debtors are between 14 - 30 days net, with the exception of loan and finance lease receivables that range from 2 - 40 years.

Collateral in the form of security over property is held for loan and finance lease receivables. On full repayment of finance leases, the title for the relevant land is transferred to the purchaser. Refer to notes 24 and 25.

Collateral in the form of cash or bank guarantee financial assurances are held for the receivables associated with the harvesting of the State's native forests by the permittees.

**(j) Inventories**

Inventories held for sale include maps, publications and souvenirs and are valued at the lower of cost and net realisable value.

Cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition.

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

Similar valuation principles apply to the inventory not held for sale. Such inventory includes casing and piping, construction materials not yet classified as work in progress, water meters awaiting installation, the Great Artesian Basin Sustainability Initiative works, and general departmental infrastructure construction such as boardwalks and viewing platforms.

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

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**(k) Non current assets classified as held for sale**

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

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

**(l) Work in progress**

Work in progress is recognised at cost. All costs relating to items of property, plant and equipment and intangibles constructed in-house are recorded as work in progress until completion of the project using all direct costs and, where reliably attributable, indirect costs. Work in progress performed under external contracts is recorded using the invoice amount supplied by the contractor.

**(m) Acquisitions of assets**

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

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

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

**(n) Property, plant and equipment**

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

<b>Asset Class</b>	<b>Threshold</b>
Land	\$ 1
Buildings and Infrastructure	\$ 10,000
Other (including heritage and cultural)	\$ 5,000

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

Land improvements undertaken by the department are included with Buildings or Infrastructure based on the proximity of the asset to which they relate.

***Research, design and appraisal studies***

Preliminary appraisal costs, cost estimates and/or investigating study costs that precede management decisions on the acceptance of particular projects are expensed as incurred.

***Land under roads***

In Queensland, land under roads not subject to freehold or leasehold title or reserve tenure vests in the State of Queensland as per the *Land Act 1994*. The Department of Environment and Resource Management administers the *Land Act 1994* on behalf of the State and land under roads that is not subject to freehold or leasehold title or reserve tenure. It is therefore considered an administered asset of the department.

Land under roads subject to freehold or leasehold title or reserve tenure is recorded by the entity that holds the freehold or leasehold title or trusteeship of a reserve.

Where approved by the relevant ministers, transfers of land under roads from other agencies are treated as a transaction with owners as owners and are recorded in contributed equity.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**(n) Property, plant and equipment (continued)**

***Land transfers inwards***

Land is transferred from non Queensland Government entities for public use at no charge in accordance with certain planning and legislative requirements. Assets acquired at no value are recognised as revenue, using fair value, at the time of transfer. Refer note 3(g).

***Land transfers outwards***

Land, no longer required and transferred to non Queensland Government entities at no charge in accordance with certain planning and legislative requirements, is recognised as expenditure, using fair value, at the time of transfer. Refer note 3(g).

***Native forests***

The department is currently overseeing the final harvesting of forest timber from state owned native forests and certain leasehold lands. This activity is part of a process of transitioning native forests into nature conservation reserves managed by the department. Under the guidelines of AASB 141 *Agriculture* the department considers that it does not meet the criteria of managing agricultural activity which would require the valuation of available timber as biological assets. Consequently, the value of native forest products has not been recognised in the Statement of Financial Position. This assessment will be reviewed should circumstances change.

***State forestry plantations***

In 2010 the department on behalf of whole-of-Government sold control of the State's forestry plantations to a private sector investor. Accordingly the department relinquished its economic interest in the asset through the issuing of a 99 year licence to harvest the plantation timber. No value in relation to the State's forestry plantations is therefore recorded in the financial statements of the department.

***Quarries***

Quarries have not been valued on the basis that it is not practicable to determine the surrounding reserves available for extraction. Revenue from extraction of quarry materials is recognised when the permittee lodges a return of material extracted.

***Deeds of grant in trust***

The department administers certain parcels of land, which are granted to and controlled by other entities in terms of deeds of grant in trust under the *Land Act 1994*. The value of this land should be recognised in the financial statements of the entities using the land and are therefore not included in the department's financial statements. At 30 June 2011, the department administered 397 (2010: 329) land titles in this category.

***Library materials***

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

***Repairs and maintenance***

Expenditure incurred in normal operations to ensure that an asset realises its normal operating capacity until the conclusion of its useful life is regarded as repairs and maintenance and is expensed.

Expenditure that enhances an existing asset, significantly replaces or refurbishes an asset, or extends the asset's useful life, capacity, function and/or efficiency is capitalised into the carrying amount of the asset.

**(o) Intangibles**

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

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**(o) Intangibles (*continued*)**

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

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

***Internally generated software***

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

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the department, namely 3 – 16 years.

***Purchased software***

The purchase cost of this software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the department, namely 3 – 14 years.

**(p) Amortisation of intangibles and depreciation of property, plant and equipment**

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

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

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the department.

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

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

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

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

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

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

**Department of Environment and Resource Management  
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**(p) Amortisation of intangibles and depreciation of property, plant and equipment  
(continued)**

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

<b>Physical asset class</b>	<b>Rate %</b>
Buildings	1.25 - 14.3
Heritage and cultural assets	0.0 - 1.0
Infrastructure	1.0 - 7.0
Plant and equipment	
Motor vehicles	10.0 - 20.0
Heavy vehicles	6.7 - 20.0
Scientific and technical equipment	2.0 - 33.3
Office equipment	6.7 - 20.0
Computer equipment	12.5 - 33.3
Leasehold improvements	10.0 - 14.3
Boats and boating equipment	6.7 - 10.0
<b>Intangible asset class</b>	
Internally generated software	6.3 - 33.3
Purchased software	7.1 - 33.3

**(q) Impairment of non current assets**

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

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

As part of the 2010-11 impairment identification process, particular focus was put on physical damage that may have been caused by the series of natural disasters that had occurred across the State. Impairment testing was performed on buildings and infrastructure assets with a material value. Information was sought from business areas affected by the disaster identifying any long term physical damage that had occurred and also taking into account other impairment indicators including change in long term use or change in the service potential of the asset. Assets that were comprehensively revalued after the disasters were excluded from the impairment testing as any such impacts would have been identified as part of that process.

Business area responses were reviewed and it was identified that while some damage had occurred, there was minimal damage of a capital nature and with an expectation that any necessary repairs would occur within a short timeframe. As a result no material assets were identified as requiring impairment due to the natural disasters.

As part of the process, however, four assets were identified as having a change to their long term use by the department and as such were impaired to a value of nil.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Refer also note 3(r).

**Department of Environment and Resource Management  
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**(r) Revaluations of non current physical and intangible assets**

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

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

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

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that class. On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Only those assets, the total values of which are material compared to the value of the class of assets to which they belong, are comprehensively revalued.

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

**Controlled**

With the creation of the department of Environment and Resource Management in March 2009 resulting from the amalgamation of the Environmental Protection Agency and the Department of Natural Resources and Water, the former agencies used differing approaches and were at different points in their cyclical revaluation program. This required the development and implementation of a consistent revaluation policy for the new entity.

The department has adopted a comprehensive revaluation program largely based on our geographical regions with the intent of completing the first full asset revaluation by June 2012. This comprehensive revaluation program includes land, buildings, heritage and cultural, and infrastructure assets. It is further supplemented by an annual comprehensive revaluation of the top 20 assets by value, for both the land and the heritage and cultural asset classes.

To implement this process, the State Valuation Service has been contracted to undertake the comprehensive valuations for those identified material assets and to provide valuation indices for the period where no comprehensive valuation is performed. To enable completion of the comprehensive revaluation program by June 2012, it is being introduced based on the department's four geographic regions being South East; South West; Central West and North. The South East and South West regions were comprehensively revalued in 2010-11 with Central West and North regions to be completed in 2011-12.

This program was developed on the basis that over 60% of the value of the asset base would be comprehensively valued by June 2011 increasing this to around 90% of the value of the asset base by June 2012.

The revaluation methodology for individual asset classes is as follows:

**Land and Heritage & Cultural Assets (including National Parks)**

Each year the top 20 land assets in both classes are comprehensively valued resulting in over 30% of the value of these classes being valued. The completion of the entire comprehensive revaluation program will result in over 90% of the value of the classes being valued by June 2011-12. With the revaluation of South East and South West regions this year, over 55% of the value of land and cultural & heritage assets have been comprehensively revalued at 30 June 2011.

**Department of Environment and Resource Management  
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**(r) Revaluations of non current physical and intangible assets (continued)**

The valuation process performed by the State Valuation Service includes physical inspections and reference to market transactions for local land sales. For those parcels not comprehensively revalued, the State Valuation Service provides an index for each land parcel based on recent

transactions for local land sales. These indices are then reviewed for reasonableness by the department.

Heritage and cultural assets, excluding land gazetted under the *Nature Conservation Act 1992*, are not subject to comprehensive revaluations on the basis that these assets could not be replaced. An index, as provided by the State Valuation Service, is applied to these assets on an annual basis.

**Buildings**

The comprehensive revaluation program outlined covered approximately 40% of the value of this asset class in 2010-11. When the revaluation program is complete in 2011-12, it is anticipated that nearly 80% of the value of this asset class will be comprehensively revalued.

The comprehensive valuation process performed by the State Valuation Service includes physical inspections and the identification of the current condition of the asset and its expected remaining useful life. For those buildings not comprehensively revalued, the State Valuation Service provides an index which is then applied to those buildings.

For those non-residential buildings not comprehensively revalued, the State Valuation Service provides the department with an index for each type of building. The State Valuation Service provides this index based on information supplied from the Queensland Government's Office of Economic and Statistical Research which the State Valuation Service then benchmark against other indices for appropriateness.

For residential dwellings, the State Valuation Service uses the Cordells Housing Index Price which measures the rate of change of construction costs, specifically within the residential market. The indices are based on a comprehensive collection of labour, material, plant hire and subcontract costs covering all major trade categories within the residential sector.

**Infrastructure**

The comprehensive revaluation program outlined covered approximately 55% of the value of infrastructure assets in 2010-11. When the revaluation program is complete in 2011-12, it is anticipated that nearly 85% of the value of this asset class will be comprehensively revalued.

The comprehensive valuation process performed by the State Valuation Service includes physical inspections and identifying the current condition of the asset and its expected remaining useful life.

It is worth noting that roads and tracks assets on parks account for over 95% of the value of the infrastructure asset class with the remaining 5% predominantly comprised of water facilities on stock routes and water monitoring assets. These are to be valued separately using a sampling approach due to their homogenous nature and will be comprehensively revalued in 2011-12.

For those infrastructure assets not comprehensively valued, the State Valuation Service provides the department with an index for each type of asset. The State Valuation Service provides this index based on information supplied from the Queensland Government's Office of Economic and Statistical Research which the State Valuation Service then benchmark against other indices for appropriateness.

**Administered**

Unallocated state land and reserves are measured at fair value and are comprehensively revalued every three to five years. Each property has an individual change factor applied which is derived from the review of market transactions. These movements are determined having regard to the review of unimproved land values undertaken for each local government area by the Chief Executive Officer of the Department of Environment and Resource Management.

**Department of Environment and Resource Management  
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**(r) Revaluations of non current physical and intangible assets (continued)**

Land under roads is valued at fair value in accordance with AASB 116 *Property, Plant and Equipment* by multiplying the total area of land under roads within each local government area by the average unimproved value of all freehold and leasehold land within the corresponding local government area. The average unimproved value for each local government area is calculated by dividing the total value of such land by the total area of that land. This approach has been adopted as it best reflects the fact that all such properties in a local government area are serviced by the local road network.

Land subject to operating leases is valued at fair value.

**(s) Leases**

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

Where a non current physical asset is acquired by means of a finance lease, the asset is recognised at an amount equal to the present value of the minimum lease payments. The lease liability is recognised at the same amount.

Lease payments are allocated between the principal component of the lease liability and the interest expense.

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

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

**(t) Payables**

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

**(u) Financial instruments**

**Recognition**

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

**Classification**

Financial instruments are classified and measured as follows:  
Cash and cash equivalents – held at fair value through profit or loss  
Receivables – held at amortised cost  
Payables – held at amortised cost  
Borrowings – held at amortised cost

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

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

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

**Department of Environment and Resource Management  
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**(u) Financial instruments (*continued*)**

All other disclosures relating to the measurement and financial risk management of financial instruments held by the department are disclosed in note 45.

**(v) Employee benefits**

Annual leave levies, long service leave levies and employer superannuation contributions are regarded as employee benefits.

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

***Wages, salaries, and sick leave***

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

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values.

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

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

***Annual leave***

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

From 1 July 2009, no provision for annual leave has been recognised in the department's financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

***Long service leave***

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

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

***Superannuation***

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

Therefore, no liability is recognised for accruing superannuation benefits in the department's financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

**Department of Environment and Resource Management  
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**(v) Employee benefits (continued)**

**Key executive management personnel and remuneration**

Key executive management personnel and remuneration disclosures are made in accordance with the section 5 Addendum (issued in May 2011) to the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury. Refer to note 13 for the disclosures on key executive management personnel and remuneration.

**i) Key executive management personnel**

The details below identify those positions that had authority and responsibility for planning, directing and controlling the activities of the agency during 2010-11. These senior executives as members of the departmental Board of Management are responsible for providing leadership and oversight of strategic and/or critical issues and challenges facing the department. They ensure the effective and efficient performance of the agency in achieving strategic goals and operational objectives.

Further information on these positions may be found in the body of the Annual Report under the section relating to Executive Management.

Position	Board of Management Incumbency	
	Contract classification and appointment authority	Date appointed to Board of Management
Director-General	CEO, <i>Public Service Act 2008</i>	1 July 2010 – 3 June 2011
Acting Director-General +	CEO, <i>Public Service Act 2008</i>	6 June 2011 – 30 June 2011
Associate Director-General	CEO, <i>Public Service Act 2008</i>	1 July 2010 – 3 June 2011
Acting Associate Director-General +	CEO, <i>Public Service Act 2008</i>	6 June 2011 – 17 June 2011
Acting Associate Director-General +	CEO, <i>Public Service Act 2008</i>	20 June 2011 – 30 June 2011
Deputy Director-General, Water and Ecosystems Outcomes	SES 4, <i>Public Service Act 2008</i>	1 July 2010 -30 June 2011
Assistant Director-General Land and Indigenous Services	SES 3, <i>Public Service Act 2008</i>	1 July 2010 – 17 June 2011
Acting Assistant Director- General Land and Indigenous Services+	SES 3, <i>Public Service Act 2008</i>	20 June 2011 – 30 June 2011
Assistant Director-General Regional Service Delivery *	SES 3, <i>Public Service Act 2008</i>	1 July 2010 – 21 January 2011
Assistant Director-General Queensland Parks and Wildlife *	SES 3, <i>Public Service Act 2008</i>	24 January 2011 – 30 June 2011
Assistant Director-General Corporate Services	SES 3, <i>Public Service Act 2008</i>	1 July 2010 -30 June 2011

+ - Consequential acting arrangements arising from the termination of the appointment of the Director-General as at 03 June 2011.

\* - Subsequent to the resignation of the Assistant Director-General Regional Service Delivery effective 21 January 2011, this membership position of the Board of Management was replaced by the Assistant Director-General Queensland Parks and Wildlife.

**Department of Environment and Resource Management  
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**(v) Employee benefits (continued)**

**ii) Remuneration of key executive management personnel**

The remuneration policy for the department's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts provide for the provision of benefits including motor vehicles.

For the 2010-11 financial year, the remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

Remuneration packages for key executive management personnel comprise the following components:-

- Short term employee benefits which include:
  - Base – consist of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income
  - Non monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Department of Environment and Resource Management  
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(v) Employee benefits (continued)

Schedule of Remuneration made to Key Executive Management Personnel 2010-2011

Position (Date resigned if applicable)	Short term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base	Non-Monetary Benefits				
	\$'000	\$'000				
Director-General (1 July 2010 - 3 June 2011)	333	62	5	38	-	438
Acting Director-General (6 June 2011 – 30 June 2011)	25	*	1	3	-	29
Associate Director-General (1 July 2010 - 3 June 2011)	305	6	5	40	-	356
Acting Associate Director-General (6 June 2011 – 17 June 2011)	8	*	*	1	-	9
Acting Associate Director-General (20 June 2011 – 30 June 2011)	8	2	*	*	-	10
Deputy Director-General, Water and Ecosystems Outcomes (1 July 2010 – 30 June 2011)	195	47	4	23	-	269
Assistant Director-General Land and Indigenous Services (1 July 2010 - 17 June 2011)	162	45	3	20	-	230
Acting Assistant Director-General Land and Indigenous Services+ (20 June 2011 – 30 June 2011)	6	1	*	1	-	8
Assistant Director-General Regional Service Delivery (1 July 2010 – 21 January 2011)	105	28	3	10	15	161
Assistant Director-General Queensland Parks and Wildlife (24 January 2011 – 30 June 2011)	78	17	2	10	-	107
Assistant Director-General Corporate Services (1 July 2010 – 30 June 2011)	166	53	4	19	-	242
<b>Total Remuneration</b>	<b>1,391</b>	<b>260</b>	<b>27</b>	<b>165</b>	<b>15</b>	<b>1,859</b>

\* Benefits paid were less than \$1,000

No prior period information on key executive management personnel remuneration has been disclosed due to the comprehensive nature of the information required for the comparatives.

**Department of Environment and Resource Management  
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**(w) Financing/borrowing costs**

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

Finance costs include:

- Interest on promissory notes
- Finance lease charges

**(x) Allocation of corporate services revenue and expenses to outputs**

The department discloses income and expenses attributable to corporate services in the Statement of Comprehensive Income by Major Departmental Services.

**(y) Insurance**

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

**(z) Services received free of charge or for nominal value**

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

**(ab) Contributed equity**

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

**(ac) Taxation**

The department 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). FBT and GST are the only taxes accounted for by the Department of Environment and Resource Management. As such, GST credits receivable from/payable to the Australian Taxation Office are recognised (refer note 24).

**(ad) Issuance of Financial Statements**

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

**(ae) Judgements and assumptions**

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

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

Property, plant and equipment: Note 30  
Contingencies: Note 42

**(af) 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.

No prior period information on key executive management personnel remuneration has been disclosed in note 3(w ii) due to the comprehensive nature of the information for the compilation of the comparatives.

**Department of Environment and Resource Management  
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**(ag) New and revised accounting standards**

**Current impacts**

The department did not voluntarily change any of its accounting policies during 2010-11. Only one amendment to an Australian accounting standard with relevance to the department became applicable for the first time in 2010-11. The effects of this amendment are outlined below.

AASB 2009 – 5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* included certain amendments to AASB 117 *Leases* that revised the criteria for classifying the nature of leases involving land and buildings. Consequently, the department was required to reassess the classification of the land elements of all unexpired leases the department had entered into as at 1 July 2010, on the basis of information existing at the inception of the relevant leases. The outcome of the department's reassessment was that no reclassification from an operating lease to a finance lease was necessary.

**Future impacts**

At the date of authorisation of the financial report, the only significant impacts of new or amended Australian accounting standards with future commencement dates are outlined below. The department is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury.

Consequently, the department has not applied any Australian accounting standards and interpretations that have been issued but are not yet effective. The department will apply these standards and interpretations in accordance with their respective commencement dates.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13)* becomes effective from reporting periods beginning on or after 1 January 2011. The department will then need to modify its disclosures regarding credit risk on financial instruments in note 45(c). No longer will the department need to disclose amounts that best represent an entity's maximum exposure to credit risk where the carrying amount of the instruments reflects this. If the department holds collateral or other credit enhancements in respect of any financial instrument, it will need to disclose - by class of instrument - the financial extent to which those arrangements mitigate the credit risk. There will also be no need to disclose the carrying amount of financial assets for which the terms have been renegotiated, which would otherwise be past due or impaired. In addition, for those financial assets that are either past due but not impaired, or have been individually impaired, there will be no need to separately disclose details about any associated collateral or other credit enhancements held by the department.

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

On initial application of AASB 9, the department will need to reassess the measurement of its financial assets against the new classification and measurement requirements, based on the facts and circumstances that exist at that date. Assuming no change in the types of transactions entered into by the department, it is not expected that any of the department's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the department's financial assets will be required to be classified as "financial assets required to be measured at fair value through profit or loss" (instead of the measurement classifications presently used in notes 3(u) and 45). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the department's receivables, the carrying amount is considered to be a reasonable approximation of fair value.

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**(ag) New and revised accounting standards (continued)**

The most significant impact of the new measurement requirements on the department is that the "held to maturity" investment described in notes 3(u), 45 will need to be measured at fair value as at 1 July 2013. In addition, that investment will no longer be classified as "held to maturity", as outlined above. The department is not yet able to predict what the fair value of this investment will be at that date. The difference between the carrying amount of this investment and the fair value as at 1 July 2013 will be recognised as an adjustment to the balance of Accumulated Surplus as at 1 July 2013. In respect of this change, the 2013-14 financial statements will need to disclose a comparison between the previous measurement classification and carrying amount as at 30 June 2013 and the new classification and fair value amount as at 1 July 2013. The department plans to recognise subsequent changes in the fair value of that investment in the annual operating result.

*AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129, & 1052]* applies to reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "tier 2").

Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1. AASB 2010-2 sets out the details of which disclosures in standards and interpretations are not required under tier 2 reporting.

Pursuant to AASB 1053 public sector entities, including this department, may adopt tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the tier 1 requirements. In the case of this department, the Queensland Treasury is the regulator and they have advised that their policy will require all departments to adopt tier 1 reporting requirements.

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

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	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
<b>4. Reconciliation of payments from consolidated fund</b>		
<b>Reconciliation of payments from Consolidated Fund to departmental services revenue recognised in the Statement of Comprehensive Income</b>		
Budgeted departmental services appropriation	807,208	748,763
Transfers from (to) other departments		
Department of Employment, Economic Development and Innovation	-	(991)
Transfers from other headings		
Equity	(8,532)	-
Administered	(29,394)	(2,605)
Less lapsed appropriations *	<u>(24,166)</u>	<u>(16,363)</u>
Total departmental services receipts	<u>745,116</u>	<u>728,804</u>
Plus: Closing balance of output revenue receivable	14,719	12,855
Less: Opening balance of output revenue receivable	<u>(12,855)</u>	<u>(3,504)</u>
Departmental services revenue recognised in the Statement of Comprehensive Income	<u>746,980</u>	<u>738,155</u>

\* Reflects lapse of appropriation funding in excess of requirements.

**Reconciliation of payments from Consolidated Fund to equity adjustment recognised in Contributed Equity**

Budgeted equity adjustment appropriation	(12,896)	35,373
Transfers from other headings		
Departmental services revenue	<u>8,532</u>	<u>2,605</u>
Total equity adjustment receipts/(payments)	<u>(4,364)</u>	<u>37,978</u>
Closing balance of equity injection receivable	35	-
Equity adjustment recognised in Contributed Equity	<u>(4,329)</u>	<u>37,978</u>

Department of Environment and Resource Management  
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	2011 \$'000	2010 \$'000
<b>4. Reconciliation of payments from consolidated fund (continued)</b>		
<i>Administered on a whole-of-Government basis</i>		
<b>Reconciliation of payments from Consolidated Fund to administered appropriation revenue recognised in the Statement of Comprehensive Income</b>		
Budgeted administered appropriation revenue	5,386	31,091
Transfers from other headings		
Departmental services revenue	6,872	-
Less lapsed appropriation *	-	(7,460)
Total administered appropriation receipts	<u>12,258</u>	<u>23,631</u>
Plus: Closing balance of administered appropriation revenue receivable	6,658	8,720
Less: Opening balance of administered revenue receivable	(8,720)	(7,568)
Administered appropriation revenue recognised in the Statement of Comprehensive Income	<u>10,196</u>	<u>24,783</u>
* Reflects lapse of appropriation funding in excess of requirements.		
<b>Reconciliation of payment from Consolidated Fund to equity adjustment recognised in Contributed Equity</b>		
Budgeted administered equity adjustment	50,316	44,100
Transfers from other headings		
Departmental services revenue	22,522	-
Less lapsed equity adjustment	-	(44,384)
Total administered equity adjustment receipts/(payments)	<u>72,838</u>	<u>(284)</u>
Plus: Closing balance of equity payable	-	43
Less: Opening balance of equity payable	(43)	-
Equity adjustment recognised in Contributed Equity	<u>72,795</u>	<u>(241)</u>

**Department of Environment and Resource Management  
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<b>5. User charges, fees and fines</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Services rendered	59,758	64,491
Fees and permits	8,931	9,279
Sale of goods	2,428	2,997
Fines	9	18
	<u>71,126</u>	<u>76,785</u>

<i>Administered on a whole-of-Government basis</i>		
Fees	222,294	238,431
Fines	424	262
	<u>222,718</u>	<u>238,693</u>

**6. Royalties, property and other territorial revenue**

Forest products and quarries royalties	18,141	16,145
Property and territorial revenue	2,274	2,245
Joint venture royalties	267	322
	<u>20,682</u>	<u>18,712</u>

<i>Administered on a whole-of-Government basis</i>		
Land rent	80,883	61,638
Riverine quarry material royalties	2,490	1,682
	<u>83,373</u>	<u>63,320</u>

**7. Grants and other contributions**

Commonwealth grants *	82,212	58,237
Funding from external bodies, state and local governments *	9,519	4,370
External and industry contributions *	7,573	19,049
Goods and services received at below fair value	2,534	5,145
Capital received below fair value	1,584	-
Sponsorships	123	88
Donations	27	27
	<u>103,572</u>	<u>86,916</u>

\* Included in the 2011 figure for grants and other contributions are non reciprocal grants funded by the Commonwealth and State Government, and other external bodies for a range of grant programs. These monies have been recognised as revenue in their entirety upon receipt as the agreements do not specify sufficient conditions to qualify as reciprocal. As at 30 June 2011, \$46.271 million (2010: \$53.022 million) of all grant funding remained unspent.

<i>Administered on a whole-of-Government basis</i>		
Dam spillway grant	397	3,596
	<u>397</u>	<u>3,596</u>

**Department of Environment and Resource Management  
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	2011 \$'000	2010 \$'000
<b>8. Land transfers inwards</b>		
<i>Administered on a whole-of-Government basis</i>		
Land transfers inwards	265,173	332,867
	<u>265,173</u>	<u>332,867</u>

**9. Revaluation Increments**

Infrastructure	44,027	-
	<u>44,027</u>	<u>-</u>

<i>Administered on a whole-of-Government basis</i>		
Infrastructure	117	-
Buildings	69	-
	<u>186</u>	<u>-</u>

**10. Interest revenue**

Interest received on fund balances	278	178
Other interest	47	44
	<u>325</u>	<u>222</u>

<i>Administered on a whole-of-Government basis</i>		
Finance lease interest	3,309	2,259
Other interest	660	458
	<u>3,969</u>	<u>2,717</u>

**11. Other revenue**

Restitution – environmental offsets	3,367	8,124
Recoveries	3,080	3,459
Insurance recoveries	334	599
Other	388	201
	<u>7,169</u>	<u>12,383</u>

<i>Administered on a whole-of-Government basis</i>		
Other	19	216
	<u>19</u>	<u>216</u>

**Department of Environment and Resource Management  
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	2011 \$'000	2010 \$'000
<b>12. Gain on sale of property, plant and equipment</b>		
Gain on sale of plant and equipment	212	198
Gain on sale of land	-	336
Gain on sale of buildings	-	32
	<u>212</u>	<u>566</u>

<i>Administered on a whole-of-Government basis</i>		
Gain on sale of land	9,206	38,820
	<u>9,206</u>	<u>38,820</u>

**13. Employee expenses**

*Employee benefits*

Salaries and wages	393,919	370,296
Employer superannuation contributions *	46,681	43,398
Long service leave levy *	8,306	6,463
Other employee benefits	550	1,227
Capitalised salary expenses	(2,906)	(2,919)

*Employee related expenses*

Salary related taxes **	21,435	20,224
Workers' compensation **	2,169	2,071
	<u>470,154</u>	<u>440,760</u>

\* Employer superannuation contributions, and the long service leave levy are regarded as employee benefits.

\*\* Costs of workers' compensation insurance and payroll tax are a consequence of employing employees, but are not counted in employees' total remuneration package. They are not employee benefits, but rather employee related expenses.

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

	<b>2011</b>	<b>2010</b>
<i>Number of employees:</i>	5,780	5,552

**Department of Environment and Resource Management  
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	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>14. Supplies and services</b>		
Advertising	1,198	1,240
Building fitouts	1,956	2,541
Computer expenses	18,418	18,143
Consultants and contractors	91,457	87,240
Electricity	2,841	3,112
Land development and maintenance	2,574	2,794
Materials	16,329	11,392
Minor plant and equipment	10,584	9,673
Motor vehicles	7,368	7,147
Office accommodation	7,575	7,541
Operating leases	50,082	45,724
Personnel costs	4,721	4,597
Photography expenses	2,989	2,660
Postage and freight	2,578	2,169
Printing	2,333	1,550
Rental lease and hire	431	603
Repairs and maintenance	9,554	11,408
Rural land protection	305	510
Shared service provider costs paid to the Shared Service Agency	15,616	17,529
Service costs - other Government agencies	760	501
Staff and client travel	12,809	12,661
Stock consumption	1,603	1,685
Storage and archive services	304	2,501
Subscriptions and memberships	735	633
Telephone and facsimile	5,722	5,910
Testing and analytical services	4,010	1,445
Other *	(21,866)	(17,766)
	<u>252,986</u>	<u>245,143</u>

\* Includes supplies and services of \$24.386 million in 2011 (2010: \$21.514 million) which has subsequently been capitalised.

<i>Administered on a whole-of-Government basis</i>		
Contractors	1,305	4,097
Other	348	249
Capitalised supplies and services	(208)	(3,580)
	<u>1,445</u>	<u>766</u>

**Department of Environment and Resource Management  
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	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>15. Grants and subsidies</b>		
Australian Packaging Covenant Program	230	-
Cape York Indigenous land and sea initiatives *		290
Caring for our country	29,140	54,545
Climate smart living (low carbon diet) *		525
Community natural resource awareness	581	-
Community service obligation payment to North West Queensland	-	1,229
Community service obligation payments to SEQ Water	1,037	1,807
Community service obligation payments to SunWater	6,545	2,259
Contributions to conservation organisations *		240
Contribution to cooperative research centres *		806
Contributions to Delbessie Agreement	455	-
Contribution to healthy headwater use efficiency (HHWUE)	8,969	-
Contribution to Murray Darling basin authority	986	965
Contribution to Queensland cane growers	200	-
Contributions to Queensland conservation council	398	-
Contribution to Queensland water and land carers	318	300
Contribution to Torres Strait regional authority	288	-
Contribution to wild river rangers	3,635	2,366
Cultural heritage grants program	500	1,423
Dam spillway grants	402	3,596
Development of international river symposium	-	300
ecoBiz program *		265
Environmental partnership scheme	2,421	2,639
Environmental protection heritage council *		202
Great Barrier Reef protection package	1,562	863
Healthy waterways strategy	6,212	4,718
Improved future land practices (Palm Island)	-	344
Lifestyle waterwise	552	-
Moreton Bay monitoring project	343	339
National WELS initiative	-	200
Natural disaster recovery and relief arrangement (NDRRA) - river improvement trusts	1,164	-
Natural disaster relief assistance	1,163	4,359
Natural heritage trust	238	-
Northern region managers coordination network	350	-
Q2 coast and country	9,739	12,078
Queensland climatic change project	638	450
Queensland solar homes	-	269
Queensland sustainable energy innovation fund	214	711
Queensland rural adjustment authority	600	-
Recycling program – national package covenant	-	370
Regional investment strategy	223	-
River improvement	554	232
Rural water use efficiency initiative	1,143	538
SEQ irrigation futures	1,525	1,501
SEQ urban water security research alliance	5,124	5,000
Strategic water initiative program	323	-
Vegetation management incentives program	1,003	-
Waste reform	2,890	-
Sponsorships of external groups	1,952	776
Scholarships	23	40
Other *	3,614	4,090
	<u>97,254</u>	<u>110,635</u>

\* These grants and subsidies represent individual amounts that are less than \$200,000.

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	2011 \$'000	2010 \$'000
<b>15. Grants and subsidies (continued)</b>		
<i>Administered on a whole-of-Government basis</i>		
Border Rivers Commission	1,100	1,100
Energy Ombudsman Queensland seed funding 2010-11	450	-
Jabalbina Yalanji Aboriginal corporation grant agreement	435	-
Queensland Water Commission	3,320	20,198
Land grants to Indigenous bodies	941	-
Other *	197	1,129
	<u>6,443</u>	<u>22,427</u>
* These grants and subsidies represent individual amounts that are less than \$200,000		

**16. Rebates**

Renewable energy	217	8,344
Forestry rebates	-	3
Other rebates	10	141
	<u>227</u>	<u>8,488</u>

<i>Administered on a whole-of-Government basis</i>		
Irrigator fixed water rebates	-	181
	<u>-</u>	<u>181</u>

**17. Depreciation and amortisation**

*Incurred in respect of:*

Buildings	16,192	19,910
Heritage and cultural	48	54
Infrastructure	37,699	38,066
Plant and equipment	14,256	13,174
Intangibles	3,988	4,206
	<u>72,183</u>	<u>75,409</u>

<i>Administered on a whole-of-Government basis</i>		
<i>Incurred in respect of:</i>		
Buildings	281	80
Infrastructure	221	159
Plant and equipment	3	-
	<u>505</u>	<u>239</u>

**18. Impairment losses**

Buildings	4,963	-
	<u>4,963</u>	<u>-</u>

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**Department of Environment and Resource Management  
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	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
<b>19. Land transfers outwards</b>		
<i>Administered on a whole-of-Government basis</i>		
Land transfers outwards	79,918	50,792
	<u>79,918</u>	<u>50,792</u>

**20. Revaluation decrement**

Land	17,008	17,934
Buildings	6,187	16,194
Heritage and cultural	44,816	-
Infrastructure	-	66,038
	<u>68,011</u>	<u>100,166</u>

<i>Administered on a whole-of-Government basis</i>		
Buildings	-	69
Infrastructure	-	117
	<u>-</u>	<u>186</u>

**21. Finance/borrowing costs**

Interest on promissory note *	150	199
	<u>150</u>	<u>199</u>

\* Promissory note relates to financing for the Tweed River Sand Bypassing System, refer note 36.

**Department of Environment and Resource Management  
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	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>22. Other expenses</b>		
Legal fees	10,185	6,248
Insurance premiums - Queensland Government Insurance Fund *	3,207	3,751
External audit fees **	711	742
Bad and impaired debts	632	76
Bank and statutory fees	296	273
Assets written off	253	657
Insurance premiums	10	39
Losses from disposal of property, plant and equipment	2	68
Carbon emissions offsets ***	(167)	533
Goods and services provided below fair value	-	30
Special payments:		
Ex-gratia payments ****	1,733	102
Donations, gifts and awards	81	57
Commission paid	27	116
Compensation payments *****	(53)	2,291
Other *****	(700)	90
	<u>16,217</u>	<u>15,073</u>

\* Certain losses of public property are insured by the Queensland Government Insurance Fund (QGIF). The claims made in respect of these losses have yet to be assessed by QGIF and the amount recoverable cannot be reliably estimated at reporting date. Upon notification by QGIF of the acceptance of the claims, revenue will be recognised for the agreed settlement amount and disclosed as 'Other revenues – Insurance recoveries'.

\*\* Total external audit fees relating to the 2011 financial year are estimated to be \$0.658 million (2010: \$0.498 million). There are no non-audit services included in this amount.

\*\*\* The 2011 amount includes a reversal of a 2010 accrual of \$0.31 million. The expenditure intended in 2011 did not occur due to a change in approach whereby carbon offsets were generated inhouse rather than purchased.

\*\*\*\* The 2011 amount includes ex-gratia payments made to third parties for lost mining royalties, lease surrenders and land title fraud of \$0.840 million, \$0.320 million and \$0.450 million respectively.

\*\*\*\*\* The 2011 amount includes monies totalling \$(0.075) million representing the reversal of a 2010 expenditure accrual. The accrued expenditure transaction did not occur in 2011 due to the case being awarded in favour of the department. Compensation payments expenditure also includes a payment of \$0.022 million for compensation to the Mullen Bun Goon Ltd for the use of the land reserves for the Mamu Rainforest Canopy Walkway.

\*\*\*\*\* The 2011 amount includes \$(0.863) million (2010: \$(0.023) million representing inventory adjustments.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
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	2011 \$'000	2010 \$'000
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**22. Other expenses (continued)**

<i>Administered on a whole-of-Government basis</i>		
Bad and impaired debts	3,746	161
Commissions	3,436	3,571
Discounts on early settlement of finance leases	516	1,478
Special payments *	3,445	1,245
Rent remissions	266	159
Loss on sale of land	2,082	2,146
Other	28	46
	13,519	8,806

\* The 2011 amount includes a disturbance payment of \$3.148 million (2010: \$0.980 million) made during the acquisition of a property required for a future dam site.

**23. Cash and cash equivalents**

Cash at bank and on hand	85,227	148,750
Imprest accounts	75	82
	85,302	148,832

Departmental bank accounts grouped within the whole-of-Government set-off arrangement with the Queensland Treasury Corporation do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

Interest at rates between 3.84% and 3.96% (2010: 2.16% and 3.42%) was paid by Queensland Treasury Corporation during 2011 financial year on specially identified special purpose monies.

<i>Administered on a whole-of-Government basis</i>		
Cash at bank	39,055	28,827
	39,055	28,827

**Department of Environment and Resource Management  
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	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>24. Receivables</b>		
<i>Current</i>		
Trade debtors	14,631	18,465
Accruals of an operating nature	2,588	3,293
Less: Provision for impairment	(802)	(218)
	<u>16,416</u>	<u>21,540</u>
GST receivable	5,408	5,775
GST payable	(1,610)	(1,912)
	<u>3,798</u>	<u>3,863</u>
Finance leases (note 25)	146	144
Less: Provision for impairment	(22)	(22)
	<u>124</u>	<u>122</u>
Annual leave claim receivable	7,948	6,884
Grants revenue	3,699	2,978
Departmental services revenue	14,719	12,856
Equity injection receivable	35	-
Long service leave reimbursements	2,149	2,124
Loans and advances	226	48
Interest revenue	93	49
Other	433	550
	<u>49,640</u>	<u>51,014</u>
<i>Non current</i>		
Investment in Ecofund Queensland Pty Ltd	3,281	1,423
Finance leases (note 25)	399	438
	<u>3,680</u>	<u>1,861</u>
<b>Movements in the allowance of provision for impairment</b>		
Balance at 1 July 2010	240	297
Amounts recovered during the period	(82)	(86)
Amounts written off during the period	(15)	(116)
Decrease in allowance recognised in operating result	681	145
Balance at 30 June 2011	<u>824</u>	<u>240</u>

Department of Environment and Resource Management  
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	2011 \$'000	2010 \$'000
<b>24. Receivables (continued)</b>		
<i>Administered on a whole-of-Government basis</i>		
<i>Current</i>		
Trade debtors	8,171	387
Less: Provision for impairment	(649)	(154)
	<u>7,522</u>	<u>233</u>
GST receivable	25	242
GST payable	(128)	(774)
	<u>(103)</u>	<u>(532)</u>
Finance leases (note 25)	3,153	3,707
Less: Provision for impairment	(90)	(84)
	<u>3,063</u>	<u>3,623</u>
Operating leases (note 25)	12,214	2,197
Less: Provision for impairment	(5,020)	(1,820)
	<u>7,194</u>	<u>377</u>
Prepayments to Queensland Treasury *	30,518	24,650
Valuation fees	13,568	13,081
Administered appropriation receivable	6,658	8,720
Return of unexpended grant – Queensland Water Commission	-	4,659
Regulatory fees receivable	100	1,234
Land sales	573	130
Interest revenue	1,036	694
Equity injection receivable	-	43
	<u>70,129</u>	<u>56,912</u>
<i>Non current</i>		
Finance leases (note 25)	54,443	57,743
	<u>54,443</u>	<u>57,743</u>
* Represents remittances to Queensland Treasury that relate to proposals and deposits on administered land sales before the transactions are legally finalised.		
<b>Movements in the allowance of provision for impairment</b>		
Balance at 1 July 2010	2,060	1,920
Amounts written off during the period	(2)	-
Amounts recovered during the period	(15)	(4)
(Increase) decrease in allowance recognised in operating result	<u>3,716</u>	<u>144</u>
Balance at 30 June 2011	<u>5,759</u>	<u>2,060</u>

**Department of Environment and Resource Management  
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**25. Leases**

*Finance leases*

The department issues finance leases under the provisions of the *Land Act 1994* whereby the lessee elects to pay the purchase price over a number of years. The aggregate of the minimum lease payments for lease receivables is as follows:

**Finance lease receivables**

	1 year or less \$'000	1-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Current	146	-	-	146
Non current	-	254	145	399
	146	254	145	545

*Operating leases*

The department issues operating leases, both term and perpetual, including permits and licences, as conditional contracts under the provisions of the *Land Act 1994*. Rent is determined as a percentage of unimproved capital value, dependent on the purpose and category of the allocated asset.

*Administered on a whole-of-Government basis*

*Finance leases*

The department issues finance leases under the provisions of the *Land Act 1994* whereby the lessee elects to pay the purchase price over a number of years. The aggregate of the minimum lease payments for lease receivables is as follows:

**Finance lease receivables**

	1 year or less \$'000	1-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Current	3,153	-	-	3,153
Non current	-	10,835	43,608	54,443
	3,153	10,835	43,608	57,596

*Operating leases*

The department issues operating leases, both term and perpetual, including permits and licences, as conditional contracts under the provision of the *Land Act 1994*. Rent is determined as a percentage of unimproved capital value, dependent on the purpose and category of the allocated asset.

**Department of Environment and Resource Management  
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	2011 \$'000	2010 \$'000
<b>26. Inventories</b>		
<i>Current</i>		
<i>Held for resale:</i>		
Maps, publications and souvenirs	105	142
Less: Provision for impairment	(90)	(101)
	<u>15</u>	<u>41</u>
<i>Not held for resale:</i>		
Casing and piping	1,290	1,115
Other	1,546	1,074
	<u>2,836</u>	<u>2,189</u>
	<u>2,851</u>	<u>2,230</u>

**27. Unexpended advances**

<i>Current</i>		
Advances for land purchases	509	6,000
	<u>509</u>	<u>6,000</u>

**28. Other current assets**

<i>Current</i>		
Prepayments	6,633	7,828
	<u>6,633</u>	<u>7,828</u>

**29. Non current assets classified as held for sale**

<i>Current</i>		
Land	84	84
Buildings	134	134
	<u>218</u>	<u>218</u>

Assets are continually reviewed to ensure they support the service delivery objectives of the department. The assets identified as held for sale are surplus to departmental requirements in meeting these objectives. The sale of these assets is actively pursued by the department with an expectation they will be sold within 12 months of the date of classification. Whilst these assets have been classified as held for sale greater than 12 months, the department has been ensuring the assets sales strategies remain current with the market considered active over this time. The assets are not depreciated during this time.

<i>Administered on a whole-of-Government basis</i>		
<i>Current</i>		
Land	3,700	95
	<u>3,700</u>	<u>95</u>

Assets are held for sale as directed by the Queensland Government after an assessment to determine the most efficient use of the land has occurred. The sale of these assets is being actively pursued by the department with an expectation that they will be sold within 12 months of the date of classification.

**Department of Environment and Resource Management  
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	<u>2011</u> \$'000	<u>2010</u> \$'000
<b>30. Property, plant and equipment</b>		
<i>Non current</i>		
Land		
At valuation	538,032	742,513
	<u>538,032</u>	<u>742,513</u>
Buildings		
At valuation	505,989	498,657
Less: accumulated depreciation	(326,894)	(307,664)
Less: accumulated impairment	(4,963)	-
	<u>174,132</u>	<u>190,993</u>
Heritage and cultural		
At cost	1,603,154	1,410,297
Less: accumulated depreciation	(1,912)	(201)
	<u>1,601,242</u>	<u>1,410,096</u>
Infrastructure		
At valuation	1,783,085	1,636,794
Less: accumulated depreciation	(724,982)	(591,820)
	<u>1,058,103</u>	<u>1,044,974</u>
Plant and equipment		
At cost	162,947	124,780
Less: accumulated depreciation	(81,273)	(75,378)
	<u>81,674</u>	<u>49,402</u>
Work in progress		
At cost	24,167	23,517
	<u>3,477,350</u>	<u>3,461,495</u>

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30. Property, plant and equipment (*continued*)

Property, plant and equipment reconciliation

Reconciliation of the carrying amounts of each class at the beginning and end of the current reporting period

	Balance 1 July 2010	Acquisitions	Depreciation	External transfers	Impairment	Transfers to assets held for sale	Transfers between classes	Revaluation increments (decrements)	Disposals	Balance 30 June 2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	742,513	28,372	-	19,089	-	-	(234,934)	(17,008)	-	538,032
Buildings	190,993	168	(16,192)	399	(4,963)	-	9,963	(6,187)	(49)	174,132
Heritage and cultural	1,410,096	355	(48)	4,771	-	-	235,227	(49,159)	-	1,601,242
Infrastructure	1,044,974	33	(37,699)	128	-	-	6,663	44,027	(23)	1,058,103
Plant and equipment	49,402	16,273	(14,256)	28,481	-	-	2,027	-	(253)	81,674
Work in progress	23,517	19,553	-	-	-	-	(18,903)	-	-	24,167
	3,461,495	64,754	(68,195)	52,868	(4,963)	-	43	(28,327)	(325)	3,477,350

The department comprehensively values its land, infrastructure and building assets using a rolling revaluation program. This ensures that department's assets are comprehensively valued in accordance with Queensland Treasury's *Non Current Asset Accounting Policies for the Queensland Public Sector*. An index is applied to the assets not comprehensively valued in the current financial year. The index applied is based on market value movements for the current financial year.

The valuation is at fair value in accordance with AASB 116 *Property Plant and Equipment* and Queensland Treasury's *Non Current Asset Policies for the Queensland Public Sector* and is undertaken independently by State Valuation Service.

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

The department has property, plant and equipment with an original cost of \$92.991 million (2010: \$40.168 million) with a written down value of zero still being used in the provision of services.

Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011  
30. Property, plant and equipment (*continued*)

Reconciliation of the carrying amounts of each class at the beginning and end of the previous reporting period

	Balance 1 July 2009	Acquisitions	Depreciation	External transfers	Transfers to assets held for sale	Transfers between classes	Revaluation increments (decrements)	Disposals	Balance 30 June 2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	670,256	18,830	-	74,778	(142)	427	(21,590)	(46)	742,513
Buildings	208,398	384	(19,910)	-	(139)	20,217	(17,795)	(162)	190,993
Heritage and cultural	1,405,385	48	(54)	-	-	374	4,343	-	1,410,096
Infrastructure	1,137,078	63	(38,066)	-	-	12,699	(66,756)	(44)	1,044,974
Plant and equipment	45,287	8,959	(13,174)	2,942	-	6,248	-	(860)	49,402
Work in progress	44,698	18,854	-	-	-	(40,035)	-	-	23,517
	3,511,102	47,138	(71,204)	77,720	(281)	(70)	(101,798)	(1,112)	3,461,495

Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
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	2011 \$'000	2010 \$'000
<b>30. Property, plant and equipment (continued)</b>		
<i>Administered on a whole-of-Government basis</i>		
<i>Non current</i>		
Land		
At valuation	66,639,723	64,590,985
	66,639,723	64,590,985
Buildings		
At valuation	12,151	9,413
Less: accumulated depreciation	(3,912)	(3,561)
	8,239	5,852
Infrastructure		
At valuation	15,612	15,324
Less: accumulated depreciation	(6,757)	(6,407)
	8,855	8,917
Plant and Equipment		
At cost	491	491
Less: accumulated depreciation	(366)	(363)
	125	128
Work in progress	7,693	7,485
	7,693	7,485
	66,664,635	64,613,367

Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011

30. Property, plant and equipment (*continued*)

Property, plant and equipment reconciliation									
Reconciliation of the carrying amounts of each class at the beginning and end of the current reporting period.									
	Balance 1 July 2010	Acquisitions	Depreciation	External Transfers	Transfers to assets held for sale	Transfers between classes	Revaluation increments (decrements)	Disposals	Balance 30 June 2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	64,590,985	48,861	-	184,196	(3,710)	-	1,851,312	(31,921)	66,639,823
Buildings	5,852	2,534	(281)	-	-	-	134	-	8,239
Infrastructure	8,918	-	(221)	-	-	-	158	-	8,855
Plant and Equipment	128	-	(3)	-	-	-	-	-	125
Work in progress	7,484	209	-	-	-	-	-	-	7,693
	64,613,367	51,604	(505)	184,196	(3,710)	-	1,851,604	(31,921)	66,664,635

The department comprehensively values its land, infrastructure and building assets using a rolling revaluation program. This ensures that department's assets are comprehensively valued in accordance with Queensland Treasury's *Non Current Asset Accounting Policies for the Queensland Public Sector*. An index is applied to the assets not comprehensively valued in the current financial year. The index applied is based on market value movements for the current financial year.

The valuation is at fair value in accordance with AASB 116 *Property Plant and Equipment* and Queensland Treasury's *Non Current Asset Policies for the Queensland Public Sector* and is undertaken independently by State Valuation Service.

Unallocated state land and reserves are measured at fair value and are comprehensively revalued every three to five years. Each property has an individual factor change applied which is derived from the review of market transactions. These movements are determined having regard to the review of unimproved land values undertaken for each local government area by the Chief Executive Officer of the Department of Environment and Resource Management.

Land subject to operating leases is valued at fair value.

The department has property, plant and equipment with an original cost of \$1,434 million (2010: \$1,371 million) and a written down value of zero still being used in the provision of services.

Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011

30. Property, plant and equipment (*continued*)

Property, plant and equipment reconciliation									
Reconciliation of the carrying amounts of each class at the beginning and end of the previous reporting period.									
	Balance 1 July 2009	Acquisitions	Depreciation	External Transfers	Transfers to assets held for sale	Transfers between classes	Revaluation increments (decrements)	Disposals	Balance 30 June 2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	63,969,727	14,353	-	574,843	-	-	117,083	(85,021)	64,590,985
Buildings	1,928	931	(80)	3,176	-	-	(103)	-	5,852
Infrastructure	7,681	-	(159)	1,663	-	-	(267)	-	8,918
Plant and Equipment	-	-	-	128	-	-	-	-	128
Work in progress	3,904	3,580	-	-	-	-	-	-	7,484
	63,983,240	18,864	(239)	579,810	-	-	116,713	(85,021)	64,613,367

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

	<b>2011 \$'000</b>	<b>2010 \$'000</b>
<b>31. Intangibles</b>		
Internally generated software		
At cost	41,792	33,333
Less: accumulated amortisation	<u>(23,358)</u>	<u>(21,059)</u>
	18,434	12,274
Purchased software		
At cost	11,682	11,087
Less: accumulated amortisation	<u>(9,123)</u>	<u>(7,524)</u>
	2,559	3,563
Software development in progress		
At cost	<u>9,583</u>	<u>11,019</u>
	<u>30,576</u>	<u>26,856</u>

The department has internal use software with an original cost of \$6.014 million (2010: \$5.469 million) and a written down value of zero still being used in the provision of services.

**Intangibles reconciliation**

**Reconciliation of the carrying amounts of each class at the beginning and end of the current reporting period**

	<b>Balance 1 July 2010 \$'000</b>	<b>Acquisitions \$'000</b>	<b>Amortisation \$'000</b>	<b>Transfers between classes \$'000</b>	<b>External transfers \$'000</b>	<b>Disposals \$'000</b>	<b>Balance 30 June 2011 \$'000</b>
Internally generated	14,256	-	(3,546)	7,724	-	-	18,434
Purchased software	1,581	-	(442)	1,420	-	-	2,559
Software development progress	11,019	7,751	-	(9,187)	-	-	9,583
	<u>26,856</u>	<u>7,751</u>	<u>(3,988)</u>	<u>(43)</u>	<u>-</u>	<u>-</u>	<u>30,576</u>

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

All intangible assets have finite useful lives and are amortised on a straight line basis (note 3(p)).

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

**Reconciliation of the carrying amounts of each class at the beginning and end of the previous reporting period**

	<b>Balance 1 July 2009 \$'000</b>	<b>Acquisitions \$'000</b>	<b>Amortisation \$'000</b>	<b>Transfers between classes \$'000</b>	<b>External transfers \$'000</b>	<b>Disposals \$'000</b>	<b>Balance 30 June 2010 \$'000</b>
Internally generated	10,358	-	(3,841)	7,739	-	-	14,256
Purchased software	3,923	-	(365)	(1,977)	-	-	1,581
Software development in progress	11,132	5,579	-	(5,692)	-	-	11,019
	<u>25,413</u>	<u>5,579</u>	<u>(4,206)</u>	<u>70</u>	<u>-</u>	<u>-</u>	<u>26,856</u>

Department of Environment and Resource Management  
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32. Biological assets

<i>Administered on a whole-of-Government basis</i>							
<b>Biological Assets reconciliation</b>							
Reconciliation of the carrying amounts of each class at the beginning and end of the current reporting period							
	Balance 1 July 2010	Acquisitions	Gain/(loss) from change in fair values	Transfers in	Transfers out	Disposals	Balance 30 June 2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plantation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

\* The plantation asset was transferred in from Forestry Plantation Queensland and onwards to intangible assets so that a licence could be issued and sold for the harvest of the State's forestry plantations.

<i>Administered on a whole-of-Government basis</i>							
<b>Biological Assets reconciliation</b>							
Reconciliation of the carrying amounts of each class at the beginning and end of the current reporting period							
	Balance 30 July 2009	Acquisitions	Gain/(loss) from change in fair values	Transfers in	Transfers out	Disposals	Balance 30 June 2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plantation	-	-	-	(420,579)	420,579	-	-
	-	-	-	(420,579)	420,579	-	-

\* The plantation asset was transferred in from Forestry Plantation Queensland and onwards to intangible assets so that a licence could be issued and sold for the harvest of the State's forestry plantations.

	2011 \$'000	2010 \$'000
<b>33. Payables</b>		
<i>Current</i>		
Trade creditors	20,645	37,664
Grants and subsidies payable	1,781	2,438
Taxes payable	1,900	2,439
Capital items payable	799	678
Other creditors	3,140	470
	<u>28,265</u>	<u>43,689</u>

<i>Administered on a whole-of-Government basis</i>		
<i>Current</i>		
Transfer of administered item revenue to government payable	30,940	27,970
Payables of an operating nature	33	1,246
Special payments payable	6,441	6,146
Stamp duties and zoning fees payable	146	1,544
Other	11	25
	<u>37,571</u>	<u>36,931</u>

**Department of Environment and Resource Management  
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	2011 \$'000	2010 \$'000
<b>34. Accrued employee benefits</b>		
<i>Current</i>		
Annual leave levy payable	11,060	10,800
Salary and wages related payable	(122)	210
Long service leave levy payable	2,141	1,652
	<u>13,079</u>	<u>12,662</u>

**35. Proposals and deposits**

<i>Current</i>		
Proposals and deposits on land sales and leases	14	38
	<u>14</u>	<u>38</u>

These monies represent funds paid by applicants in relation to prospective land dealings and are held by the department contingent upon the applicant progressing the dealing to finalisation. In the event dealings are not finalised, the department returns the defaulted monies to the original applicant.

<i>Administered on a whole-of-Government basis</i>		
<i>Current</i>		
Proposals and deposits on land sales and leases	30,518	24,650
	<u>30,518</u>	<u>24,650</u>
These monies represent funds paid by applicants in relation to prospective land dealings and are held by the department contingent upon the applicant progressing the dealing to finalisation. In the event dealings are not finalised, the department returns the defaulted monies to the original applicant.		

**36. Other financial liabilities**

<i>Current</i>		
Promissory note	577	577
	<u>577</u>	<u>577</u>
<i>Non current</i>		
Promissory note	742	1,319
	<u>742</u>	<u>1,319</u>

The promissory note which relates to the Tweed River Sand Bypassing system is in Australian dollar denominated amounts and is recognised at face value with interest being expensed as it is accrued. No interest has been capitalised during the reporting period. Repayment dates vary over the note's term to 4 May 2013. Principal and interest repayments are made quarterly in arrears. The fair value of this note is disclosed in note 45.

**37. Other liabilities**

<i>Current</i>		
Other agencies' land purchases	29,675	97,573
Unearned revenue	171	152
Other	221	145
	<u>30,067</u>	<u>97,870</u>

<i>Administered on a whole-of-Government basis</i>		
<i>Current</i>		
Other agencies' land sales	5,568	5,051
Unearned revenue	12	12
	<u>5,580</u>	<u>5,063</u>

**Department of Environment and Resource Management  
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	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>38. Contributed equity reconciliation</b>		
Balance at 1 July 2010	3,585,475	3,542,782
Appropriated equity injections	44,292	100,714
Appropriated equity withdrawals	(48,621)	(62,736)
Non appropriated equity withdrawals	(20,727)	(70,609)
Equity transfers	-	75,324
Net transfer of assets / liabilities from other government agencies		
Department of Environment and Resource Management (Administered)	23,862	-
Department of Employment, Economic Development and Innovation	27,385	-
Shared Service Agency	40	-
<b>Balance at 30 June 2011</b>	<b>3,611,706</b>	<b>3,585,475</b>

<i>Administered on a whole-of-Government basis</i>		
Balance at 1 July 2010	23,801,073	23,593,224
Appropriated equity injections	72,795	(241)
Non appropriated equity injection	-	1,837
Non appropriated equity withdrawals	(43,229)	(456,360)
Net assets received via machinery-of-Government	40	-
Transfers of assets (to) from other government agencies:		
Department of Communities	1,100	-
Department of Education	-	15,784
Department of Environment and Resource Management (Controlled)	(22,140)	(74,757)
Department of Employment, Economic Development and Innovation	-	(5,855)
Department of Main Roads	-	150
Department of Mines and Energy	322	172
Department of Public Works	(5,659)	
Department of Transport	-	(893)
Port of Brisbane Authority	-	6,907
Port of Brisbane Corporation	(4,763)	-
Ports Corporation Queensland Weipa Port Land	12	
Property Services Group, Department of Infrastructure and Planning	-	155
QR Limited	-	8
Townsville Port Authority	-	36
Translink Transit Authority	(7)	-
Forest Plantation Queensland - initial recognition of forest plantation	-	420,579
Forest Plantation Queensland - land assumed	-	216,177
Forest Plantation Queensland - orphaned assets assumed	-	7,076
Land under roads assumed from other government agencies	31,016	77,074
<b>Balance at 30 June 2011</b>	<b>23,830,560</b>	<b>23,801,073</b>

**Department of Environment and Resource Management  
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**39. Asset revaluation surplus by class**

**Asset revaluation surplus by class – current reporting period**

	<b>Balance 1 July 2010 \$'000</b>	<b>Revaluation increments (decrements) \$'000</b>	<b>Balance 30 June 2011 \$'000</b>
Land	-	-	-
Buildings	-	-	-
Heritage and cultural	4,343	(4,343)	-
Infrastructure	-	-	-
	<u>4,343</u>	<u>(4,343)</u>	<u>-</u>

The asset revaluation surplus represents the net effect of upward and downward revaluations of assets to fair value.

	<b>Balance 1 July 2009 \$'000</b>	<b>Revaluation increments (decrements) \$'000</b>	<b>Balance 30 June 2010 \$'000</b>
Land	3,656	(3,656)	-
Buildings	1,601	(1,601)	-
Heritage and cultural	-	4,343	4,343
Infrastructure	718	(718)	-
	<u>5,975</u>	<u>(1,632)</u>	<u>4,343</u>

The asset revaluation surplus represents the net effect of upward and downward revaluations of assets to fair value.

*Administered on a whole-of-Government basis*

**Asset revaluation surplus by class – current reporting period**

	<b>Balance 1 July 2010 \$'000</b>	<b>Revaluation increments (decrements) \$'000</b>	<b>Balance 30 June 2011 \$'000</b>
Land	40,577,449	1,851,312	42,428,761
Buildings	-	65	65
Infrastructure	-	42	42
	<u>40,577,449</u>	<u>1,851,418</u>	<u>42,428,868</u>

The asset revaluation surplus represents the net effect of upward and downward revaluations of assets to fair value.

**Asset revaluation surplus by class – previous reporting period**

	<b>Balance 1 July 2009 \$'000</b>	<b>Revaluation increments (decrements) \$'000</b>	<b>Balance 30 June 2010 \$'000</b>
Land	40,460,366	117,083	40,577,499
Buildings	34	(34)	-
Infrastructure	151	(151)	-
	<u>40,460,551</u>	<u>116,898</u>	<u>40,577,449</u>

The asset revaluation surplus represents the net effect of upward and downward revaluations of assets to fair value.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
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	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>40. Reconciliation of operating result from continuing operations to net cash</b>		
<b>Operating result from continuing operations</b>	11,948	(62,133)
Depreciation and amortisation expense	72,183	75,409
Bad and impaired debts	632	76
Assets written off	253	657
Assets previously expensed	-	(10)
Assets received below fair value	(1,584)	2,618
Impairment losses	4,963	-
Net asset revaluation decrements	23,984	100,166
Inventory impairments and losses (writeback)	(863)	(23)
Net (gain)/loss on disposal of property, plant and equipment	(208)	(498)
<b>Change in assets and liabilities</b>		
(Increase) decrease in departmental services revenue receivable	(1,864)	(9,351)
(Increase) decrease in net receivables	3,744	1,336
(Increase) decrease in long service leave reimbursement receivables	(25)	(101)
(Increase) decrease in annual leave claim receivable	(1,064)	30
(Increase) decrease in GST input tax credits receivable	367	(1,418)
(Increase) decrease in inventories	242	(126)
(Increase) decrease in prepayments	6,686	(1,891)
(Increase) decrease in grants payable	(657)	-
Increase (decrease) in accounts payable	(14,352)	5,493
Increase (decrease) in payables due to MOG	-	(1)
Increase (decrease) in provision for tax	(539)	-
Increase (decrease) in GST payable	(302)	1,038
Increase (decrease) in accrued employee benefits	417	2,013
Increase (decrease) in other liabilities	(67,869)	43,049
<b>Net cash from operating activities</b>	<b>36,092</b>	<b>156,334</b>

Department of Environment and Resource Management  
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	2011 \$'000	2010 \$'000
<b>40. Reconciliation of operating result from continuing operations to net cash (continued)</b>		
<i>Administered on a whole-of-Government basis</i>		
<b>Operating result from continuing operations</b>	187,088	285,169
Bad and impaired debts	3,746	161
Land grants to Indigenous bodies	941	-
Discounts on early settlement of finance leases	516	1,478
Depreciation expense	505	240
Revaluation decrement	(186)	186
Net (gain)/loss on sale of property, plant and equipment	70,712	(38,820)
Rent remissions	266	159
Land transfers to other entities	-	50,792
Land transfers from other entities	(265,174)	(332,867)
<b>Change in assets and liabilities:</b>		
(Increase) decrease in administered appropriation revenue receivables	-	-
(Increase) decrease in net receivables	(15,800)	4,240
(Increase) decrease in GST input tax credits receivable	217	(231)
Increase (decrease) in other payables	(2,332)	(4,412)
Increase (decrease) in other assets	4,659	(4,659)
Increase (decrease) in transfers to Government payable	2,971	11,042
Increase (decrease) in GST payable	(646)	375
Increase (decrease) in other liabilities	517	2,483
<b>Net cash (used in) operating activities</b>	<b>(12,000)</b>	<b>(24,664)</b>

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
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	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
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**41. Commitments for expenditure**

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

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

Not later than one year	29,492	30,554
Later than one year and not later than five years	67,591	52,500
Later than five years	36,270	55,298
	<u>133,353</u>	<u>138,352</u>

Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. Lease payments are generally fixed, but with inflation escalation clauses and periodic market reviews.

Some of the operating leases contain renewal and extension options. No operating lease contains restrictions on financing or other leasing activities.

**(b) Other expenditure commitments**

Other expenditure committed at the end of the period but not recognised in the accounts are as follows:

Not later than one year	79,588	42,045
Later than one year and not later than five years	11,825	-
	<u>91,413</u>	<u>42,045</u>

\* In 2011 the methodology was changed to broaden data capture to include other expenditure commitments. The 2010 figures have been extracted accordingly for the comparative figures.

**(c) Capital expenditure commitments**

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

Buildings	1,537	2,413
Infrastructure	2,674	4,680
Land	3,436	-
Plant and equipment	3,989	8,585
Intangibles	2,443	1,626
	<u>14,079</u>	<u>17,304</u>

Payable:

Not later than one year	14,079	17,168
Later than one year and not later than five years	-	136
	<u>14,079</u>	<u>17,304</u>

**Department of Environment and Resource Management  
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	2011 \$'000	2010 \$'000
<b>41. Commitments (continued)</b>		
<i>Administered on a whole-of-Government basis</i>		
Material classes of capital expenditure commitments inclusive of GST, contracted for at reporting date but not recognised in the accounts are payable as follows:		
Plant and equipment	78	-
Water facilities	-	757
	<u>78</u>	<u>757</u>
Payable:		
Not later than one year	<u>78</u>	<u>757</u>

**42. Contingencies**

**Contingent liabilities**

*Guarantees and undertakings*

During 2010-11 the department has been party to numerous indemnity capped procurement arrangements. These contracts are primarily with suppliers of information technology infrastructure and software and related maintenance with liability and indemnity caps of various levels from \$0.03 million per occurrence up to and/or a ceiling of up to \$20.0 million over the life of the contracts. Contract lives are up to five years.

The department has provided a guarantee to Queensland Treasury Corporation as per the *Statutory Bodies Financial Arrangements Act 1982* for the benefit of the National Trust of Queensland for a line of credit of \$0.4 million, expiring 31 December 2011.

*Litigation in progress*

At 30 June 2011, the following claims against the department were filed in the courts or lodged with the department:

	2011	2010
Anti Discrimination Court	1	-
Supreme Court	11	13
District Court	1	1
Magistrates Court	1	2
Jurisdiction not available – lodged with department *	18	24
	<u>32</u>	<u>40</u>

At reporting date it is not possible to estimate any probable outcome of these claims, or any potential financial effect. Depending on the outcome of the litigation process, indemnity for the department may be sought in respect of some of the above matters through the Queensland Government Insurance Fund.

\* The department has received notification of claims which are not yet subject to court action. These cases may or may not result in subsequent litigation.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
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**42. Contingencies (continued)**

*Native title claims over departmental land*

At 30 June 2011, there remained 112 unresolved native title claims over lands (including marine and terrestrial parks and offshore islands) either controlled or administered by the department. The claims cover an area of approximately 60% of the State.

At reporting date it is not possible to make an estimate of any probable outcome of these claims, or of any financial effects.

*Land acquisitions*

The department is currently engaged in a program of land acquisitions which will be used to further its environmental and natural resource management objectives. A land acquisition program exists for the delivery of the State Government's Koala Response Strategy and for national parklands associated with the State's Toward Q2 Green target of increasing the area of national parks held. In relation to future dam sites, a further acquisition related to the Connors River Dam is planned however an estimate is unable to be reliably measured at 30 June 2011.

*Stock Routes*

At 30 June 2011, the department was subject to one unfinalised agreement in regard to stock route capital works. These works relate to the rehabilitation of the Oasis Bore in the Diamantina Local Authority, and is estimated to be valued at approximately \$0.015 million.

*Compensation for infrastructure on expired leases over the protected area estate*

Currently the department issues leases or permits which allow activity such as grazing, tourist resorts etc to occur on parks and forestry estates it administers. On expiry of the lease or permit, the department may be required to pay compensation to the lessees for structural improvements made to the leased properties over the duration of these leases.

The amount of this liability is not quantifiable as the extent of the improvements to be valued will not be known until the expiration of the relevant leases or permits. Leases will progressively expire until the year 2045.

*Contaminated land sites*

On 30 June 2010 the Queensland Government sold the rights to manage and harvest Queensland's timber plantations to a private company – Forestry Plantations Queensland Pty Limited (FPQ). The rights to these plantations are managed through a 99 year licence issued under the *Forestry Act 1959*. The land on which these plantations are situated has been retained by the State. As part of the execution of the sale of the plantation licence, various Deeds of Agreements, including a Land Contamination Indemnity Deed, was entered into by both parties.

Under this arrangement, the State and FPQ will jointly assess all plantation land for contamination within a stipulated timeline during the 2010-12 financial years. In the event that any land sites are assessed to be contaminated, an appropriate landcare strategy will be implemented. Any costs associated with remediation to contamination attributable to the period up to 30 June 2010 will be borne by the State and any costs associated with remediation of contamination attributable post 30 June 2010 will be borne by FPQ. The amount and attribution of these costs, if any, of related liability will not be quantifiable until the site assessment has been completed.

The State also has provided an indemnification to FPQ for costs, incurred in defending third party claims for personal injury or death arising from contaminated land or the fuel depots in the licensed area for a period of 5 years from 1 July 2010, with payments capped to a range of \$1 million to a maximum of \$5 million.

**Contingent asset**

*SunWater land*

Since 2001 the department and Sunwater have entered into various agreements regarding the future use and disposal of a land parcel (8.827 hectares) at Rocklea. A Deed of Variation to these agreements was entered into by both parties in 2009 which secures this department a freehold portion of this land in addition to a \$150,000 distribution from the sale proceeds of the remaining land when sold by Sunwater. Due to changing circumstances surrounding the usage of the land and council requirements for works to be completed before sale, no reliable estimate of the value of the land can be provided at balance date.

**Department of Environment and Resource Management  
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**43. Controlled entity**

**(a) Ecofund Queensland Pty Ltd**

On 12 March 2010, the department formed the proprietary limited company Ecofund Queensland Pty Ltd and commenced trading on 1 May 2010, with the department's Director-General holding 100% of the shareholding. The company was established as part of a suite of Queensland Government climate change initiatives to help reduce Queensland's contribution to global greenhouse gas emissions.

The principal activities of the company for the year ended 30 June 2011 are to:

- help deliver the government's commitment to expand Queensland's protected areas from 9 million hectares in 2010 to 20 million hectares by 2020;
- provide carbon and environmental offset services to government, businesses and householders in Queensland;
- assist Government deliver on its emissions reduction, energy efficiency and carbon offsetting commitments;
- develop the carbon industry in Queensland;
- support ClimateQ: Towards a Greener Queensland, to cut by one-third Queenslanders' carbon footprint with reduced car and electricity use.

The company delivery of advisory and brokerage activities included determining of carbon footprints and provision of advice in relation to the carbon regulatory environment for a range of government and private sector clients, to a range of large utilities and other clients in relation to their environmental offset obligations and assisting clients to identify and negotiate the implementation of the identified offsets. Ecofund also brokered carbon offset transactions as agent for Queensland-based buyers, and transacted in carbon offsets in its own right.

The department's total contribution to the company is an equity contribution of \$3.281 million which is comprised of 3,280,700 shares fully paid at \$1.00.

For the 2010-11 financial year, the company's transactions and balances are considered to be immaterial to the parent entity and as such the entity is not consolidated with the department's transactions and balances reported in these financial statements.

The Queensland Audit Office is the authorised auditor of this company. Total external audit fees relating to the 2010-11 year are estimated to be \$0.055 million (2010: \$0.015 million). No non audit services are included in this amount.

A summary of the financial transactions and balances for Ecofund Queensland Pty Ltd for the 2011 financial year as at 30 June 2011 are as follows:

<b>Ecofund Queensland Pty Ltd</b>	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenues	13,242	334
Expenses	13,888	697
<b>Net Surplus</b>	<b>(646)</b>	<b>(363)</b>
Assets	3,431	3,346
Liabilities	1,159	2,128
<b>Net Assets</b>	<b>2,272</b>	<b>1,218</b>

Further detail on the financial results of Ecofund Queensland Pty Ltd can be viewed in the entity's annual report available at [ecofund.net.au](http://ecofund.net.au).

The operating result achieved is consistent with the financial model of Ecofund Queensland Pty Ltd prepared by the Queensland Treasury Corporation prior to the company incorporation. This financial model shows that the company is expected to become profitable from 2012-13 and the department will be undertaking ongoing monitoring of Ecofund's progress in achieving the targets forecasted in this business model.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
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**43. Controlled entity (continued)**  
*(a) Ecofund Queensland Pty Ltd continued*

**i) Key Executive Management Personnel**

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of Ecofund Queensland Pty Ltd (Ecofund) during the year ended 30 June 2011.

Position	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointed to position (Date resigned from position)
Chief Executive Officer	The Chief Executive Officer is responsible for the strategic management and direction of Ecofund.	Appointment by authority of the Board of Ecofund Not subject to the Government classification scheme	Appointed 9 August 2010
Chief Financial Officer	The Chief Financial Officer is responsible for the efficient and effective administration and financial strategy of Ecofund.	Appointment by authority of the Board of Ecofund Not subject to the Government classification scheme	Appointed 20 September 2010

**ii) Remuneration**

Remuneration policy for the agency's key executive management personnel is set by the Board of Ecofund, within the Post Approval Monitoring Framework established for Ecofund by its shareholder, the Department of Environment and Resource Management (DERM). The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts provide for the provision of performance-related cash bonuses and other benefits including motor vehicles.

Ecofund commenced employment of key executive management personnel during the year ended 30 June 2011. Prior to the appointment of the Chief Executive Officer, and subsequently the Chief Financial Officer, the Acting Chief Executive Officer and contract Chief Executive Officer did not have authority and responsibility for planning, directing and controlling the activities of Ecofund. That authority and responsibility rested with Ecofund's Board of directors.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
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**43. Controlled entity (continued)**

**(a) Ecofund Queensland Pty Ltd (continued)**

Remuneration packages for key executive management personnel comprise the following components:-

- o Short term employee benefits which include:
  - Base - consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
  - Non-monetary benefits – consisting of provision of car parking together with fringe benefits tax applicable to the benefit.
- o Long term employee benefits include long service leave accrued.
- o Post employment benefits include superannuation contributions.
- o Redundancy payments are not provided for within individual contracts of employment, unless the company is sold or absorbed back into a Government department. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, unless the company is sold or absorbed back into a Government department.
- o Performance bonuses may be paid or payable annually depending upon satisfaction of key criteria. Performance payments of the key executive management are capped at 15% of total fixed remuneration. The amounts payable are tied to the achievement of pre-determined organisational and individual performance targets as agreed by the Board of Ecofund.

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

**1 July 2010 – 30 June 2011**

Position	Short Term Employee Benefits		Long Term Employee Benefits \$'000	Post Employment Benefits \$'000	Termination Benefits \$'000	Total Remuneration
	Base \$'000	Non-Monetary Benefits \$'000				
Chief Executive Officer	225	15	-	20	-	260
Chief Financial Officer	146	-	-	13	-	159
Total Remuneration	371	15	-	33	-	419

**1 July 2009 – 30 June 2010** No prior period comparative information on key executive management personnel remuneration has been disclosed. Prior to the appointment of the Chief Executive Officer, and subsequently the Chief Financial Officer, the Acting Chief Executive Officer and contract Chief Executive Officer did not have authority and responsibility for planning, directing and controlling the activities of Ecofund. That authority and responsibility rested with Ecofund's Board of directors.

**Department of Environment and Resource Management  
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**43. Controlled entity (continued)**  
**(a) Ecofund Queensland Pty Ltd (continued)**  
**iii) Performance payments**

The basis for performance bonuses paid in the 2010-11 financial year is set out below:

Position	Date Paid	Basis for payment
Chief Executive Officer	26 August 2011	The cash performance bonus was calculated by reference to achievement of organisational and individual KPIs set in the corporate and individual performance scorecards. The bonus accrued equated to 14.3% as compared to the maximum 15% of total fixed remuneration payable.
Chief Financial Officer	26 August 2011	The cash performance bonus was calculated by reference to achievement of organisational and individual KPIs set in the corporate and individual performance scorecards. The bonus accrued equated to 9.5% as compared to the maximum 10% of total fixed remuneration payable.

The aggregate performance bonuses paid or payable to all key executive management personnel are as follows:

2011	2010
\$54,284	Nil

Key Executive Management Personnel

**Department of Environment and Resource Management  
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**43. Controlled entity (continued)**

**(b) Balance the Earth Trust**

Reverse the Effect is a Queensland Government initiative designed to encourage motorists to balance the impact of their vehicles' green house gas emissions on the environment. The Balance the Earth Trust was established on 9 October 2009 to receive donations under this initiative with collections received being used to plant trees and create native forests to increase carbon capture in the environment.

The business of the Trust is managed by the Trustee – Ecofund Queensland Pty Ltd.

A summary of the 2011 financial transactions and balances for The Balance the Earth Trust as at 30 June 2011 are as follows:

<b>Balance the Earth Trust</b>	<b>2011 \$'000</b>	<b>2010 * \$'000</b>
Revenues	577	683
Expenses	894	5
<b>Net Surplus</b>	<b>(317)</b>	<b>678</b>
Assets	424	751
Liabilities	63	73
<b>Net Assets</b>	<b>361</b>	<b>678</b>

\* date of formation 9 October 2009 to 30 June 2010.

**44. Interest in joint ventures**

The department has interests in one joint venture entity and one joint venture operation, which is subject to agreements made with the relevant parties. The department's interests are limited to its rights and obligations under each of the agreements.

**Public sector mapping venture**

This venture is comprised of the public sector mapping agencies of the Commonwealth, states and territories. It was established to create and facilitate access to national spatial datasets for both governmental and commercial use.

The joint venture arrangement involved the incorporation of a company, PSMA Australia Limited (PSMA), to coordinate, assemble and commercially deliver the various PSMA datasets on a national basis and to contribute to the establishment of the Australian Spatial Data Infrastructure.

The department in its capacity as the Queensland representative holds an equal one-eighth share in this company, which was established on 20 June 2001. The department made \$nil cash or in-kind contributions to the company in 2010-11, nor was any revenue derived from its operations. PSMA made royalty payments of \$0.218 million (2009-10: \$0.266 million) to Queensland during this financial year.

**Joint mapping venture with Hema Maps Pty Ltd**

This venture operation is between the department and Hema Maps Pty Ltd with each holding an equal share in the joint venture arrangement. This venture was established to produce, promote, distribute and sell maps from the Sunmap Regional Map series.

Based on the undertaking signed, proceeds from the sale of the products are to be distributed in equal shares following the reimbursement of all related external costs. At 30 June 2011, the department received a total of \$0.049 million (2009-10: \$0.056 million), which is made up of production cost recovery plus revenue from sales of the product.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**45. Financial instruments**

**(a) Categorisation of Financial Instruments**

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

Category	Note	2011 \$'000	2010 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	23	85,302	148,832
Receivables	24	53,320	52,875
		<u>138,622</u>	<u>201,707</u>
<b>Financial liabilities</b>			
Payables	33	28,265	43,689
Promissory note	36	1,319	1,896
		<u>29,584</u>	<u>45,585</u>

**(b) Financial Risk Management**

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

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

All financial risk is managed under approved departmental financial management policies. The department utilises written principles for overall risk management, as well as policies covering specific areas.

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

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

**(c) Credit Risk Exposure**

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

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

The following table represents the department's maximum exposure to credit risk based on contractual amounts net of any allowances:

**Maximum exposure to credit risk**

Category	Note	2011 \$'000	2010 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	23	85,302	148,832
Receivables	24	53,320	52,875
		<u>138,622</u>	<u>201,707</u>

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**45. Financial instruments (continued)**

**(d) Credit Risk Exposure (continued)**

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

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

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

The method for calculating any provision for impairment is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. The main factors affecting the current calculation for provisions are disclosed below as loss events. These economic and geographic changes form part of the department's documented risk analysis assessment in conjunction with historic experience and associated industry data.

The recognised increase in controlled impairment is \$0.824million for the current period. This is an increase of \$0.584 million from 2010 and is due to a generally diminished capacity for debt servicing across the State, in the wake of the year's natural disasters. Provision increase also related to increase in debt generally regarding the environmental authorities.

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

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

**2011 Financial Assets Past Due But Not Impaired**

	Less than 30 days \$'000	Overdue			Total \$'000
		30-60 days \$'000	61-90 days \$'000	More than 90 days \$'000	
Receivables	51,419	284	319	1,298	53,320
	<u>51,419</u>	<u>284</u>	<u>319</u>	<u>1,298</u>	<u>53,320</u>

**2010 Financial Assets Past Due But Not Impaired**

	Less than 30 days \$'000	Overdue			Total \$'000
		30-60 days \$'000	61-90 days \$'000	More than 90 days \$'000	
Receivables	48,351	2,812	357	1,355	52,875
	<u>48,351</u>	<u>2,812</u>	<u>357</u>	<u>1,355</u>	<u>52,875</u>

**2011 Individually Impaired Financial Assets**

	Less than 30 days \$'000	Overdue			Total \$'000
		30-60 days \$'000	61-90 days \$'000	More than 90 days \$'000	
Receivables (gross)	51,419	284	319	2,122	54,144
Allowance for Impairment	-	-	-	(824)	(824)
Carrying Amount	<u>51,419</u>	<u>284</u>	<u>319</u>	<u>1,298</u>	<u>53,320</u>

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
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**45. Financial instruments (continued)**

**(c) Credit Risk Exposure (continued)**

**2010 Individually Impaired Financial Assets**

	Less than 30 days \$'000	Overdue		More than 90 days \$'000	Total \$'000
		30-60 days \$'000	61-90 days \$'000		
Receivables (gross)	48,351	2,812	357	1,595	53,115
Allowance for Impairment	-	-	-	(240)	(240)
Carrying Amount	48,351	2,812	357	1,355	52,875

**Financial Liabilities**

The guarantee given by the department meets the definition of a financial guarantee contract as per AASB 139 and as such the maximum exposure to the department is disclosed above. Details of the guarantee can be found in Note 34(b).

The department assesses on an annual basis, in conjunction with independent professional advice from experts in this field, the fair value of the financial guarantee as at 30 June.

**(d) Liquidity Risk**

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

The department is exposed to liquidity risk through its trading in the normal course of business and borrowings from promissory notes.

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

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 discounted cash flows.

Note	2011 Payable in:			Total \$'000
	<1 Year \$'000	1-5 Years \$'000	>5 Years \$'000	
<b>Financial liabilities</b>				
Payables	33	28,265		28,265
Promissory note	36	577	742	1,319
<b>Total</b>		28,842	742	29,584

Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
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45. Financial instruments (continued)

(d) Liquidity Risk (continued)

Note	2010 Payable in:			Total \$'000
	<1 Year \$'000	1-5 Years \$'000	>5 Years \$'000	
<b>Financial liabilities</b>				
Payables	33	43,689	-	43,689
Promissory note	36	577	1,319	1,896
<b>Total</b>		<b>44,266</b>	<b>1,319</b>	<b>45,585</b>

(e) Market Risk

The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its finance leases. The department does not undertake any hedging in relation to interest risk and manages its risk as per its liquidity risk management strategy.

(f) Interest Rate Sensitivity Analysis

The following interest rate sensitivity analysis depicts the outcome to the comprehensive income if interest rates would change by +/- 1% from the year end rates applicable to the department's financial assets and liabilities. The interest rate payable on the Promissory Note is fixed for the term of the borrowing and is not subject to interest rate sensitivity.

Carrying amount	2011 Interest rate risk			
		-1%	+1%	
\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets</b>				
Cash and cash equivalents				
- non-interest bearing	85,302	-	-	-
Receivables				
- non-interest bearing	52,827	-	-	-
- variable interest rate	493	(5)	5	5
<b>Potential Impact</b>	<b>138,622</b>	<b>(5)</b>	<b>(5)</b>	<b>5</b>

Department of Environment and Resource Management  
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45. Financial instruments (continued)

(f) Interest Rate Sensitivity Analysis (continued)

	2010 Interest rate risk				
	Carrying amount	-1%		+1%	
	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents					
- non-interest bearing	148,832	-	-	-	-
Receivables					
- non-interest bearing	52,442	-	-	-	-
- variable interest rate	433	(4)	(4)	4	4
<b>Potential Impact</b>	<b>201,707</b>	<b>(4)</b>	<b>(4)</b>	<b>4</b>	<b>4</b>

(g) Fair Value

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for note disclosure purposes.

The fair value of cash and non-interest bearing monetary financial assets and payables approximate their carrying amounts as reported in the Statement of Financial Position.

The fair value of other monetary financial assets and financial liabilities 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 trade receivables and payables are assumed to approximate their nominal value less estimated credit adjustments. The carrying amounts of all financial assets are representative of their fair value.

	2011		2010	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
<b>Financial liability</b>				
Promissory note	1,319	1,380	1,896	2,001
<b>Total</b>	<b>1,319</b>	<b>1,380</b>	<b>1,896</b>	<b>2,001</b>

**Department of Environment and Resource Management  
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**45. Financial instruments – Administered on a whole-of-Government basis (continued)**

**(a) Categorisation of Financial Instruments**

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

Category	Note	2011 \$'000	2010 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	23	39,055	28,827
Receivables	24	124,572	114,655
		<u>163,627</u>	<u>143,482</u>
<b>Financial liabilities</b>			
Payables	33	37,571	36,931
		<u>37,571</u>	<u>36,931</u>

**(b) Financial Risk Management**

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

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

All financial risk is managed under approved departmental financial management policies. The department utilises written principles for overall risk management, as well as policies covering specific areas.

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

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

**(c) Credit Risk Exposure**

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

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

The following table represents the department's maximum exposure to credit risk based on contractual amounts net of any allowances:

<b>Maximum exposure to credit risk</b>			
	Note	2011 \$'000	2010 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	23	39,055	28,827
Receivables	24	124,572	114,655
		<u>163,627</u>	<u>143,482</u>

**Department of Environment and Resource Management  
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**45. Financial instruments – Administered on a whole-of-Government basis (continued)**

**(c) Credit Risk Exposure (continued)**

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

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

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

The method for calculating any provision for impairment is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. The main factors affecting the current calculation for provisions are disclosed below as loss events. These economic and geographic changes form part of the department's documented risk analysis assessment in conjunction with historic experience and associated industry data.

The recognised increase in controlled impairment is \$5.759million for the current period. This is an increase of \$3.699 million.

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

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

**2011 Financial Assets Past Due But Not Impaired**

	Overdue				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	124,115	968	1,290	(1,801)	124,572
	124,115	968	1,290	(1,801)	124,572

**2010 Financial Assets Past Due But Not Impaired**

	Overdue				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	114,376	36	11	232	114,655
	114,376	36	11	232	114,655

**2011 Individually Impaired Financial Assets**

	Overdue				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables (gross)	124,115	968	1,290	3,958	130,331
Allowance for Impairment	-	-	-	(5,759)	(5,759)
	124,115	968	1,290	(1,801)	124,572

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
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**45. Financial instruments – Administered on a whole-of-Government basis (continued)**

**(c) Credit Risk Exposure (continued)**

**2011 Individually Impaired Financial Assets**

	Overdue				Total \$'000
	Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000	More than 90 days \$'000	
Receivables (gross)	114,376	36	11	2,292	116,715
Allowance for Impairment	-	-	-	(2,060)	(2,060)
	<u>114,376</u>	<u>36</u>	<u>11</u>	<u>232</u>	<u>114,655</u>

**Financial Liabilities**

The guarantee given by the department meets the definition of a financial guarantee contract as per AASB 139 and as such the maximum exposure to the department is disclosed above. Details of the guarantee can be found in Note 34(b).

The department assesses on an annual basis, in conjunction with independent professional advice from experts in this field, the fair value of the financial guarantee as at 30 June.

**(d) Liquidity Risk**

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

The department is exposed to liquidity risk through its trading in the normal course of business and borrowings from promissory notes.

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

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 discounted cash flows.

	Note	2011- Payable in:			Total \$'000
		<1 Year \$'000	1-5 Years \$'000	>5 Years \$'000	
<b>Financial liabilities</b>					
Payables	33	37,571	-	-	37,571
<b>Total</b>		<u>37,571</u>	<u>-</u>	<u>-</u>	<u>37,571</u>

Department of Environment and Resource Management  
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45. Financial instruments – Administered on a whole-of-Government basis (continued)

(d) Liquidity Risk (continued)

	Note	2010 Payable in:			Total \$'000
		<1 Year \$'000	1-5 Years \$'000	>5 Years \$'000	
<b>Financial liabilities</b>					
Payables	33	36,931	-	-	36,931
<b>Total</b>		<b>36,931</b>	<b>-</b>	<b>-</b>	<b>36,931</b>

(e) Market Risk

The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its finance leases. The department does not undertake any hedging in relation to interest risk and manages its risk as per its liquidity risk management strategy.

(f) Interest Rate Sensitivity Analysis

The following interest rate sensitivity depicts the outcome to comprehensive income if interest rates would change by +/- 1% from the year end rates applicable to the department's financial assets and liabilities.

	Carrying amount \$'000	2011 Interest rate risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents					
- non-interest bearing	39,055	-	-	-	-
Receivables					
- non-interest bearing	54,762	-	-	-	-
- variable interest rate	69,810	-	-	-	-
<b>Potential Impact</b>	<b>163,627</b>	<b>(363)</b>	<b>(363)</b>	<b>363</b>	<b>363</b>

	Carrying amount \$'000	2010 Interest rate risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents					
- non-interest bearing	28,827	-	-	-	-
Receivables					
- non-interest bearing	51,008	-	-	-	-
- variable interest rate	63,647	(636)	(636)	636	636
<b>Potential Impact</b>	<b>143,482</b>	<b>(636)</b>	<b>(636)</b>	<b>636</b>	<b>636</b>

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**45. Financial instruments – Administered on a whole-of-Government basis (continued)**

**(g) Fair value**

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for note disclosure purposes.

The fair value of cash and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts as reported in the Statement of Financial Position.

The fair value of other monetary financial assets and financial liabilities 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 trade receivables and payables are assumed to approximate their nominal value less estimated credit adjustments. The carrying amounts of all financial assets are representative of their fair value.

**46. Trust transactions and balances**

The department holds cash and bank guarantees on behalf of companies and individuals for the following:

- a. As a condition of volumetric leases entered into under the *Land Act 1994*, the lessee is required to provide a security in the form of a bank guarantee to be retained by the department to ensure compliance with specific requirements. The security together with the lease agreement commits the lessee to perform specific reparation conditions set out in the lease.
- b. As a condition of the environmental authority for petroleum and gas leases under the *Environmental Protection Act 1994*, applicants are required to provide financial security in the form of cash or bank guarantee to ensure compliance with specific requirements set by the state of petroleum and gas activities, to prevent or minimise any environmental harm, or to rehabilitate or restore the environment. The security is held to protect the State should the lessee not meet the conditions set out in the environmental authority.
- c. As a condition of other miscellaneous environment management sections of the *Environmental Protection Act 1994* and other relevant Acts, financial assurances are held in the form of cash or bank guarantee to ensure compliance with specific environmental requirements as determined.
- d. As a condition of forestry products timber sales contracts, a financial security of cash or bank guarantee must be provided to the department to ensure achievement of specific requirements. Upon receipt of the cash deposits, the department recognises interest accrued during the period the department has custody of the moneys. The amount of interest accrued each year is recognised as an expense.
- e. For development applications under the *Vegetation Management Act 1999* and *Sustainable Planning Act 2009* (formerly *Integrated Planning Act 1997*), applicants may be required to provide financial security of cash or bank guarantee as a means of meeting a particular aspect of a vegetation management code. The security together with the agreement commits the developer to providing a vegetation offset within twelve months. No interest is paid by the department in respect to the cash security held.

**Department of Environment and Resource Management  
Notes to and forming part of the Financial Statements  
as at 30 June 2011**

**46. Trust transactions and balances (continued)**

As the department performs only a custodial role in respect of these transactions and balances, they are not recognised in the financial statements but are disclosed in the notes for the information of users.

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Trust collections and distributions</u></b>		
<i>Collections</i>		
Forestry security deposits	418	40
Environmental security deposits	7,483	2,713
Total collections	<u>7,901</u>	<u>2,753</u>
<i>Distributions</i>		
Forestry security deposits	(142)	(209)
Single holding accounts	-	(7,425)
Environmental security deposits	(330)	(595)
Total distributions	<u>(472)</u>	<u>(8,229)</u>
Increase (decrease) in trust assets	<u>7,429</u>	<u>(5,476)</u>
 <b><u>Trust assets and liabilities</u></b>		
<i>Current assets</i>		
Cash	13,889	6,460
Total trust assets	<u>13,889</u>	<u>6,460</u>
<i>Current liabilities</i>		
Forestry security deposits	114	120
Vegetation management	60	60
Environmental security deposits	3	3
Single holding accounts	-	-
Total current liabilities	<u>177</u>	<u>183</u>
<i>Non current liabilities</i>		
Forestry security deposits	856	574
Environmental security deposits	12,856	5,703
Total non current liabilities	<u>13,712</u>	<u>6,277</u>
Total trust liabilities	<u>13,889</u>	<u>6,460</u>

At 30 June 2011, the department held bank guarantees to the value of, and in relation to, the following:

- \$20.34 million in accordance with lease conditions under the *Land Act 1994*;
- \$391.89 million relating to petroleum and gas in accordance with the lease conditions under the *Land Act 1994* and *Environmental Protection Act 1994*;
- \$5.3 million relating to forestry products timber sales contracts and agreements;
- \$6.45 million relating to environmental management activities under the *Environmental Protection Act 1994* and miscellaneous Environmental Management sections of relevant acts involved; and
- \$1.62 million relating to vegetation management development applications under the *Vegetation Management Act 1999* and *Integrated Planning Act 1997*.

This represents the maximum value the department is potentially entitled to if agreed conditions are not fulfilled.

The Queensland Audit Office has incorporated a sample of trust transactions within the audit undertaken for the period.

## Management Certificate

### Department of Environment and Resource Management

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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Environment and Resource Management for the financial year ended 30 June 2011 and of the financial position of the department at the end of that year.

Peter Philipson B.Econ.

**General Manager, Finance and Asset Management**  
**Chief Finance Officer**  
**Department of Environment and Resource**  
**Management**  
26 August 2011

Debra-Lee Best B.A., B.Ed. Std.,  
M.Ed.Admin, Grad Cert Public Admin, Dip.Ed.  
**Acting Director-General**

**Department of Environment and Resource**  
**Management**  
26 August 2011

## INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Environment and Resource Management

### Report on the Financial Report

I have audited the accompanying financial report of the Department of Environment and Resource Management, which comprise the statements of financial position and statements of assets and liabilities by major departmental services as at 30 June 2011, 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 comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Acting Director-General and Chief Financial Officer.

### The Accountable Officer's Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

### Independence

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

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

Opinion

In accordance with s40 of the Auditor-General Act 2009 –

- (a) I have received all the information and explanations which I have required; and
- (b) In my opinion –
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department Environment and Resource Management for the financial year 1 July 2010 to 30 June 2011 and of the financial position as at the end of that year.

**Other Matters - Electronic Presentation of the Audited Financial Report**

This auditor's report relates to the financial report of the Department Environment and Resource Management for the year ended 30 June 2011. Where the financial report is included on the Department Environment and Resource Management's website the Accountable Officer is responsible for the integrity of Department Environment and Resource Management's website and I have not been engaged to report on the integrity of Department Environment and Resource Management's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

M T BOOTH FCPA  
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office  
Brisbane