Property Services Group Financial Report 2007-08

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General Information

This financial report covers the Property Services Group.

The Property Services Group (PSG) is a Commercialised Business Unit (CBU) of the Department of Infrastructure and Planning established under the *Public Service Act 2008*. Consistent with s10 of *Industrial Development Act 1963* this PSG financial report incorporates the accounts of corporation sole of the Minister for Industrial Development of Queensland and the Estates Construction Fund.

The Department of Infrastructure and Planning (the Department) is controlled by the State of Queensland, which is the ultimate parent.

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

Executive Building
100 George Street
Brisbane Queensland 4000

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

For information in relation to the Property Services Group's financial report please call (07) 3224 6737, email annualreport2007@dip.qld.gov.au or visit the Department's internet site www.dip.qld.gov.au.

Property Services Group

INCOME STATEMENT

for the year ended 30 June 2008

	Notes	2008 $'000	2007 $'000
Income			
Revenue			
Sale of land	2	98,115	50,724
User charges	3	10,334	7,241
Grants and other contributions	4	-	4
Other revenues	5	13,619	10,236
Gains			
Gain on sale of property, plant and equipment	6	1,323	747
Gain on reversal of decrement expense	7	2,812	1,332
Total Income		**126,203**	**70,285**
Expenses			
Employee expenses	8	1,603	1,531
Supplies and services	9	2,465	1,517
Grants and subsidies	10	12,365	19,374
Depreciation	11	369	335
Impairment losses	12	912	1,139
Cost of land sold	2	20,006	15,424
Other expenses	13	10,896	8,332
Total Expenses		**48,616**	**47,652**
Net Operating Surplus before Income Tax Equivalent Expense		**77,587**	**22,633**
Income tax equivalent expense	14	23,276	9,082
Operating Surplus		**54,311**	**13,551**

The accompanying notes form part of these statements.

Property Services Group
BALANCE SHEET
as at 30 June 2008

	Notes	2008 $'000	2007 $'000
Current Assets			
Cash and cash equivalents	15	200,503	121,944
Receivables	16	11,188	23,757
Inventories	17	211,693	191,078
Other	18	-	4
Total Current Assets		**423,383**	**336,782**
Non-Current Assets			
Receivables	16	40,048	38,331
Property, plant and equipment	19	336,373	309,583
Deferred tax equivalent asset	14	2,316	4,905
Other	18	200	-
Total Non-Current Assets		**378,937**	**352,819**
Total Assets		**802,320**	**689,602**
Current Liabilities			
Payables	20	3,170	4,035
Accrued employee benefits	21	39	142
Income tax equivalent payable	14	34,149	13,994
Provisions	23	922	-
Other	22	11,468	5,765
Total Current Liabilities		**49,748**	**23,936**
Non-Current Liabilities			
Accrued employee benefits	21	-	49
Deferred tax equivalent liability	14	80,094	71,750
Total Non-Current Liabilities		**80,094**	**71,799**
Total Liabilities		**129,842**	**95,735**
Net Assets		**672,478**	**593,867**
Equity			
Asset revaluation reserve	24	186,872	167,447
Contributed equity		351,433	356,766
Retained surpluses		134,172	69,654
Total Equity		**672,477**	**593,867**

The accompanying notes form part of these statements.

Property Services Group

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2008

	Asset revaluation reserve		Contributed equity		Retained surpluses	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance 1 July	167,447	168,045	356,766	365,766	69,654	47,545
Operating surplus / (deficit)	-	-	-	-	54,311	13,551
Non-owner changes in equity:						
- Increase/(decrease) in asset revaluation reserve	29,632	7,960	-	-	-	-
- Transfer asset revaluation reserve assets sold	(10,207)	(8,558)	-	-	10,207	8,558
- Correction of error	-	-	1,430	-	-	-
Transactions with owners as owners:						
- Net leave liabilities transferred to/(from) government departments	-	-	(22)	-	-	-
Non-reciprocal transfers						
- Equity withdrawal non appropriated	-	-	(6,800)	(9,000)	-	-
- Equity adjustment - non-current annual leave transferred to Crown	-	-	58	-	-	-
Balance 30 June	**186,872**	**167,447**	**351,432**	**356,766**	**134,172**	**69,654**

The accompanying notes form part of these statements.

Property Services Group

CASH FLOW STATEMENT

for the year ended 30 June 2008

	Notes	2008 $'000	2007 $'000
Cash flows from operating activities			
Inflows:			
User charges		112,049	54,014
Grants and other contributions		-	4
GST input tax credits from ATO		5,246	2,299
GST collected from customers		12,371	7,727
Interest receipts		12,140	10,237
Other		142	-
Outflows:			
Employee expenses		(1,623)	(1,517)
Supplies and services		(44,933)	(51,735)
Grants and subsidies		(12,497)	(57,952)
GST paid to suppliers		(5,010)	(9,095)
GST remitted to ATO		(11,044)	(3,010)
Income tax paid		(4,908)	(5,366)
Other		(6,918)	-
Net cash provided by / (used in) operating activities	25	**55,015**	**(54,394)**
Cash flows from investing activities			
Inflows:			
Sales of property, plant and equipment		17,613	19,844
Loans and advances redeemed		14,570	(7,336)
Outflows:			
Payments for property, plant and equipment		-	(28)
Loans and advances made		(1,839)	8,822
Net cash provided by / (used in) investing activities		**30,344**	**21,302**
Cash flows from financing activities			
Outflows:			
Equity withdrawals		(6,800)	(9,000)
Net cash provided by / (used in) financing activities		**(6,800)**	**(9,000)**
Net increase (decrease) in cash held		78,559	(42,092)
Cash at beginning of financial year		121,944	164,036
Cash at end of financial year	15	**200,503**	**121,944**

The accompanying notes form part of these statements.

Objectives of the Commercialised Business Unit

Property Services Group delivers a range of property-related services aimed at encouraging the location and expansion of business and industry in Queensland. Through the Minister for Industrial Development of Queensland and the Estates Construction Fund, and pursuant to the *Industrial Development Act 1963* PSG provides funding for both property-related and other industry projects that contribute to the economic development of Queensland.

1. Summary of significant accounting policies

(a) Basis of accounting

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and other pronouncements of the Australian Accounting Standards Board, the Treasurer's Minimum Reporting Requirements and, in particular, AAS 29 *Financial Reporting by Government Departments.*

The financial report has been prepared on an accruals basis and except where stated, the historical cost convention is used. Accounting policies adopted for the reporting period are consistent with those of the previous reporting period.

(b) The reporting entity

The Property Services Group (PSG) is a Commercialised Business Unit (CBU) of the Department of Infrastructure and Planning established under the Public Service Act 2008. Consistent with s10 of Industrial Development Act 1963 this PSG financial report incorporates the accounts of corporation sole of the Minister for Industrial Development of Queensland and the Estates Construction Fund.

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Property Services Group including the corporation sole of the Minister for Industrial Development of Queensland and the Estates Construction Fund.

The Property Services Group is a controlled entity of the Department of Infrastructure and Planning. The financial statements of Property Services Group are consolidated into the Department of Infrastructure and Planning's financial statements.

(c) Sales revenue

Sales revenue arising from the sale of land is recognised as revenue when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

(d) User charges and penalties

User charges and penalties controlled by the Property Services Group are recognised as revenues when invoices for the related services are issued. User charges and penalties are controlled by the Property Services Group where they can be deployed for the achievement of the Property Services Group objectives.

(e) Grants and contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the Property Services Group obtains control over them. Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

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

(f) Cash and cash equivalents

For the purposes of the Balance Sheet and the Cash Flow Statement, cash in hand, cash at bank and cash equivalents include all cash and cheques receipted but not banked at 30 June 2008.

(g) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 14 days from the invoice date.

Loans and advances are recognised at the face value of principal outstanding and finance leases are recognised at the value of the net investment of the lease agreement outstanding (Note 1(n)). Terms are as recorded in individual loan and lease agreements. On full repayment of finance leases title for the relevant property is transferred to the purchaser.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June 2008. Increases in the provision for impairment are based on loss events as disclosed in the financial instruments in note 28.

(h) Inventories

Land is purchased for the purpose of resale and is recognised at the lower of cost and net realisable value. Cost includes the cost of acquisition and development of the land to its existing condition, ready for sale. These costs are assigned to subdivided land lots on a weighted average basis when the lots are sold.

Net realisable value is determined on the basis of the Property Services Group's normal selling pattern.

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

(i) Acquisitions of assets

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

Where assets are received free of charge from a 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 a Queensland Government department, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(j) Property, plant and equipment

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

Buildings	$10,000
Land	$1
Plant and equipment	$5,000

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

Land improvements undertaken by the Property Services Group are included with buildings.

(k) Revaluations of non-current physical assets

Land and buildings are measured 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.*

Plant and equipment is measured at cost. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

Land and buildings are revalued on an annual basis to reflect either market value or depreciated current replacement costs as at the end of the financial year. The valuation is performed by registered independent and in-house valuers.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation reserve 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 reserve relating to that asset class.

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

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

(l) Depreciation of property, plant and equipment

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

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 Property Services Group.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity.

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 Property Services Group.