(n) Revaluations of non-current physical and intangible 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.*

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

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

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

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation 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 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.

Only those assets whose values are material to the value of the class of assets as a whole are comprehensively revalued.

(o) Intangibles

Intangible assets with a cost or other value of 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.

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.

The purchase cost of software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the Department.

Goodwill on acquisition is initially recognised at cost being the excess of costs of acquisition over fair value of the Department's share of net identifiable assets over the acquired subsidiary at the date of acquisition. Goodwill is not amortised but is instead assessed annually for impairment. Refer note 1(q).

(p) Depreciation and amortisation of property, plant and equipment and intangibles

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

Property, plant and equipment is depreciated on a straight-line basis or a diminishing value, as is applicable, 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 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.

(p) Depreciation and amortisation of property, plant and equipment and intangibles (continued)

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.

Items comprising the Department's technical library are expensed on acquisition.

For each class of depreciable and amortisable asset the following rates were used:

Class	Rate %
Buildings and land improvements	2-3%
Plant and equipment:	
Computer equipment	15-65%
Leasehold improvements	10-25%
Motor vehicles	10-25%
Office equipment	5-40%
Intangible assets:	
Software purchased	25-40%

(q) Impairment of non-current assets

All non-current physical 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.

If an asset is determined to be impaired, the recoverable amount of the impaired asset is determined as the higher of the asset's fair value less costs to sell and either depreciated replacement cost or value in use.

An impairment loss is recognised immediately in the Income Statement, 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 reserve 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 1(n).

The controlled entities received a letter from the Treasurer stating that it is the State's intention to transfer the assets at full carrying amount on construction completion to the new statutory bodies established under the *South East Queensland Water (Restructuring) Act 2007* , no impairment is therefore required of the Special Purpose Vehicle company assets as the companies will not face the risk that any subsequent revenue from operation of the assets is not sufficient to meet the assets' total costs.

(r) Leases

Finance leases, which transfer from the Department substantially all the risks and benefits incidental to ownership of a leased item, are recognised as a finance lease receivable at an amount equal to the net investment of the lease agreement. Lease income from finance leases is recognised at a constant periodic rate of return on the net investment in the finance lease.

The Department has not entered into any finance leases as a lessee.

(r) Leases (continued)

Leases where the Department as lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income for operating leases is recognised as income on a straight-line basis over the term of the lease. Depreciable leased assets are depreciated in accordance with the Department's normal depreciation policy (note 1(p)).

Operating lease payments made are representative of the pattern of benefits derived from the leased assets and are recognised in the period in which they are incurred.

The Department of Natural Resources and Water acts as an agent on behalf of the Department in administering the finance and operating leases of the Department in accordance with the *Land Act 1994*.

(s) Other financial assets

Investments in equity instruments do not have a quoted market price in an active market and are carried at cost. The equity designated as available for sale is held at cost because it is held in non-traded entities which do not distribute dividends. There is currently no model available which the Department feels will accurately reflect fair value of the equity instrument. The Department has no intention of selling these financial instruments on the open market as its involvement in the companies is for the purpose of delivering the South East Queensland Water Grid and other infrastructure projects.

(t) Payables

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

(u) Other financial liabilities

Interest bearing liabilities are initially recognised at fair value inclusive of costs. The fair value is calculated as the net present value of all future payments using the effective interest rate at the date of the transaction. Subsequent measurement is based on amortised cost using the effective interest rate.

All borrowing costs are accounted for on an accrual basis in the profit and loss account using the effective interest method, and are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise.

(v) Financial instruments

Recognition

Financial assets and financial liabilities are recognised in the Balance Sheet when the Department becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents - held at fair value through profit and loss
- Receivables - held at amortised cost
- Shares - held at amortised cost
- Payables - held at amortised cost
- Borrowings - held at amortised cost

(v) Financial instruments (continued)

Borrowings are held at amortised cost. 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.

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 and loss.

All disclosures relating to the measurement basis and financial risk management of other financial instruments held by the Department are included in note 36.

(w) Employee benefits

Wages, salaries and recreation leave

Wages, salaries and recreation leave due but unpaid at 30 June 2008 are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement. 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. Employer superannuation contributions and long service leave levies are regarded as employee benefits.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity.

An Annual Leave Central Scheme (ALCS) has been established at 30 June 2008 by the Queensland Government. As member entities, the Department of Infrastructure and Planning and the Property Services Group has transferred its recreation leave liability as at 30 June 2008 to the scheme. The current portion of recreation leave liability is shown as a sundry payable to Crown and the non-current portion is shown as non-appropriated equity adjustment.

The recreation leave liability for ALCS member entities will be held on a whole-of-Government basis and disclosed in the Report on State Finances.

Under the ALCS, Property Services Group will contribute a levy equal to accrued quarterly recreation leave costs, including leave loading and on-costs. Amounts paid to employees for recreation leave will be claimed back from the scheme.

Sick leave

Prior history indicates that on average, sick leave taken in the 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.

Long service leave

Under the Queensland Government's long service leave scheme a levy is imposed on the Department to cover this cost. Levies are expensed in the period in which they are paid or payable. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

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 the financial report prepared pursuant to AAS 31 *Financial Reporting by Governments*.

(w) Employee benefits (continued)

Superannuation

For Parent and Property Services Group, employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees at rates determined by 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 these financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 *Financial Reporting by Governments*.

For controlled entities, contributions to superannuation funds are recorded as they become payable and the company's legal or constructive obligation is limited to these contributions.

Executive Remuneration

The executive remuneration disclosures in the employee expenses note (note 9) in the financial statements include:

- the aggregate remuneration of all senior executive officers (including the Chief Executive Officer) whose remuneration for the financial year is $100,000 or more; and
- the number of senior executives whose total remuneration for the financial year falls within each successive $20,000 band, commencing at $100,000.

The remuneration disclosed is all remuneration received or receivable, directly or indirectly, from the Department or any related party in connection with the management of the affairs of the Department or any of its subsidiaries, whether as an executive or otherwise. For this purpose, remuneration includes:

- wages and salaries;
- accrued leave (that is, the increase/decrease in the amount of annual and long service leave owed to an executive, inclusive of any increase in the value of leave balances as a result of salary rate increases or the like);
- performance pay paid or due and payable in relation to the financial year, provided that a liability exists (namely a determination has been made prior to the financial statements being signed), and can be reliably measured even though the payment may not have been made during the financial year;
- accrued superannuation (being the value of all employer superannuation contributions during the financial year, both paid and payable as at 30 June);
- car parking benefits and the cost of motor vehicles, such as lease payments, fuel costs, registration, insurance, repairs and maintenance and fringe benefits tax on motor vehicles incurred by the agency during the financial year, both paid and payable as at 30 June, net of any amounts subsequently reimbursed by the executives;
- housing (being the market value of the rent or rental subsidy - where rent is part-paid by the executive - during the financial year, both paid and payable as at 30 June);
- allowances (which are included in remuneration agreements of executives, such as airfares or other travel costs paid to/for executives whose homes are situated in a location other than the location they work in); and
- fringe benefits tax included in remuneration agreements.

The disclosures apply to all senior executives appointed by Governor in Council and classified as SES1 and above, with remuneration above $100,000 in the financial year. 'Remuneration' means any money, consideration or benefit, but excludes amounts:

- paid to an executive by an entity or its subsidiary where the person worked during the financial year wholly or mainly outside Australia during the time the person was so employed; or
- in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the entity or any of its subsidiaries.

In addition, separate disclosure of separation and redundancy/termination benefit payments is included.