

Summary of financial performance

This section provides an overview of the financial statements of the department for the 2013-14 financial year, which are provided in detail at the 'financial statements' section of this report.

Understanding the financial statements

One impact on the department's operations in 2013-14 is the inclusion of Economic Development Queensland (EDQ) transactions for the full year compared to

five months of the former Urban Land Development Authority (ULDA) transactions in 2012-13. The ULDA and the Property Services Group were merged to form EDQ effective 1 February 2013.

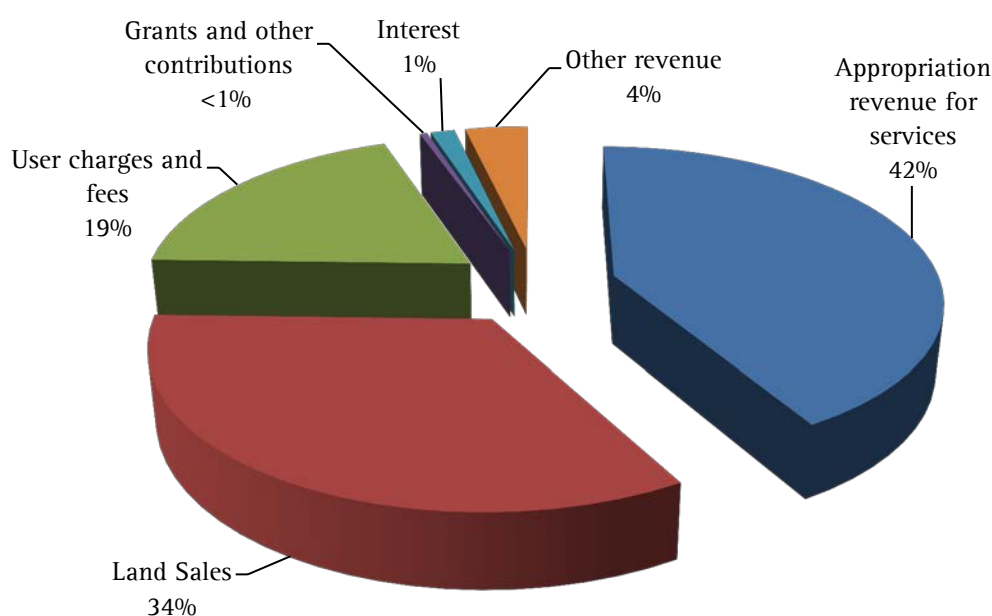
The following comparison of the 2013-14 results with the 2012-13 results was considered and accepted by the department's Audit and Risk Management Committee at its August 2014 meeting.

Table 1 Analysis - Operating result

	2014 \$'000	2013 \$'000	Variance \$'000
Total income	426,994	327,059	99,934
Total expenses	395,982	336,733	59,249
Operating result before tax	31,012	(9,674)	40,686
Income tax equivalent benefit expense	10,711	1,580	9,131
Operating result after tax	20,301	(11,254)	31,555
Other comprehensive income			
Asset revaluation surplus increase / (decrease)	(2,914)	7,975	(10,889)
Total comprehensive Income	17,387	(3,279)	(20,666)

Income

Figure 9 Income by category for the year ended 30 June 2014

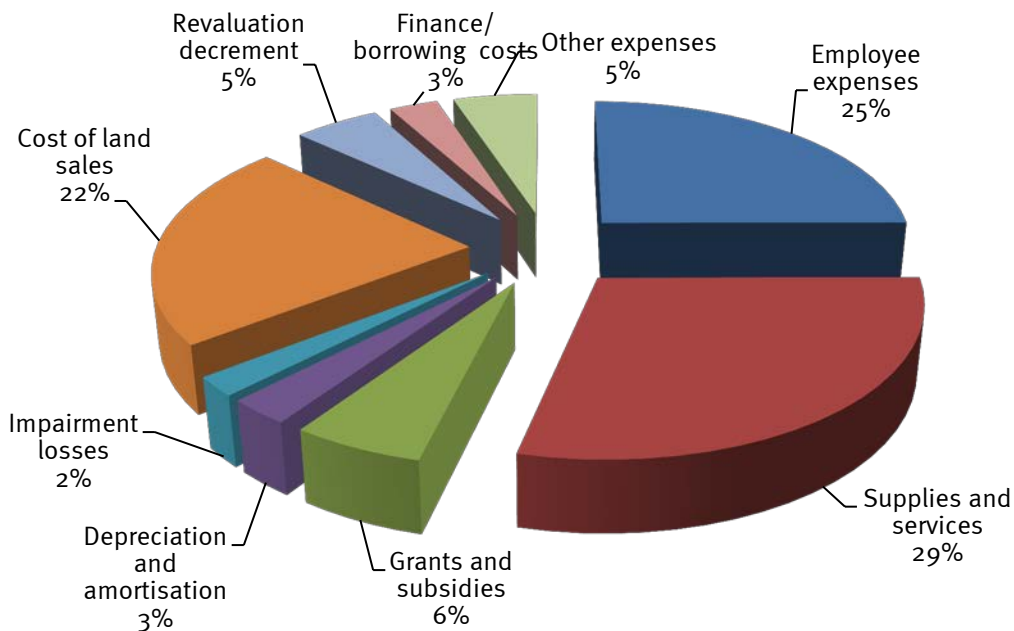


The department's main categories of income are Appropriation revenue for services and Land sales. Overall total income increased by \$99.9 million to \$427 million from 2012-13 as follows:

- Land sales increased by \$57.8 million in 2013-14 to \$142.1 million largely due to a full year of EDQ operations compared to only five months of former ULDA operations during 2012-13
- \$32.3 million increase in User charges in 2013-14 to \$80.7 million mainly attributed to additional cost recovery for the construction of Commonwealth Games venues
- Other revenue in 2013-14 of \$15.3 million largely related to proceeds from the Department of Transport Main Roads for a dedicated road of \$13.9 million.

Expenses

Figure 10 Expenses by category for the year ended 30 June 2014



The department's significant categories of expenses are Employee expenses, Supplies and services, and Cost of land sales. Overall total expenses are \$395.9 million and have increased by \$59.2 million from 2012-13 due to:

- \$88.7 million in Costs of land sales, an increase of \$30.9 million due to the impact of a full year of operations of EDQ in 2013-14 compared to only five months in 2012-13
- \$114.4 million incurred for Supplies and services in 2013-14 being an increase of \$40.8 million from

2012-13 largely for contractor costs for Commonwealth Games venues. Also, EDQ increased contractors, property, building and marketing costs due to a full year of operation in 2013-14

- Other expenses in 2013-14 decreased by \$11.2 million from 2012-13 mainly due to the one-off transfer of airport upgrade to the Whitsunday Regional Council in that year.

Total comprehensive income

For 2013-14, the total comprehensive result is a surplus of \$17.4 million,

however this includes an Asset revaluation reserve deficit of \$2.9 million. Therefore, the operating result from continuing operations is a \$20.3 million

surplus mostly relating to EDQ operations offset by a deficit in the department related to asset decrements and impairments.

Table 2 Statement of financial position – Assets and Liabilities

	2013-14 \$'000	2012-13 \$'000	Variance \$'000
Total Current Assets	704,399	609,207	95,192
Total Non-Current Assets	776,677	914,496	(137,819)
Total Assets	1,481,076	1,523,703	(42,627)
Total Current Liabilities	212,703	150,028	62,675
Total Non-Current Liabilities	197,643	239,725	(42,082)
Total Liabilities	410,346	389,753	20,593
Total Equity	1,070,730	1,133,950	(63,220)

Total assets at 30 June 2014 are \$1,481 million, representing a decrease of \$42.6 million from 2012-13 due mainly to the reduction in Property, plant and equipment via the disposals of Mary Valley properties and valuation decrements. Receivables also declined due to the settlement of debts owing as at 30 June 2013 offset by increases in Cash and cash equivalents.

Total liabilities at 30 June 2014 are \$410.3 million, representing an increase of \$20.6 million from 2012-13. This is mainly due to an increase in Income tax payable due to EDQ's surplus, Other liabilities due to additional deposits held for the sale of land, and Provisions for tax equivalents payable to Queensland Treasury and Trade.

Comparison of financial result with budget

Table 3 Statement of Comprehensive Income for the year ended 30 June 2014

Controlled items	Notes	2013-14 Actual \$'000	2012-13 Budget \$'000	Variance \$'000
Income				
Appropriation revenue for services	1	175,845	289,140	(113,295)
User charges		222,820	220,730	2,090
Grants and other contributions		1,810	377	1,433
Other revenues	2	21,159	9,091	12,068
Gains	3	5,360		5,360
Total income		426,994	519,338	(92,345)
Expenses				
Employee expenses		98,723	99,368	(964)
Supplies and services	4	203,049	234,853	(31,804)
Grants and subsidies	5	22,837	94,432	(71,595)
Depreciation and amortisation		10,969	10,592	377
Impairment Losses	6	8,251	-	8,251
Revaluation decrements	7	20,446	7,515	12,931
Finance/borrowing costs	8	11,622	5,934	5,688

Controlled items	Notes	2013-14 Actual \$'000	2012-13 Budget \$'000	Variance \$'000
Other expenses		20,085	19,148	937
Total expenses		395,982	472,161	(76,178)
Operating result from continuing operations		31,012	47,177	(16,166)
Income tax equivalent expense		(10,711)	(6,983)	(3,728)
Operating result from continuing operations after income tax equivalent expense		20,301	40,194	(19,893)
Increase in asset revaluation surplus		(2,914)	1,352	(4,267)
Total comprehensive income		17,386	41,546	(24,160)

Notes:

2013-14 actual results have been presented using the same income and expenses categories as the 2013-14 SDS Income Statement. The variances for these items can be explained as follows:

1. Reduced Appropriation revenue for services is due to the transfer of Grants and subsidies to other departments and the deferral of funding for priority projects reducing Supplies and services expense.
2. The increase in Other revenue relates to the recognition of proceeds from the Department of Transport and Main Roads for a dedicated road with the value only being determined during 2013-14.
3. Increase in Gains is due to the realisation of Mary Valley property sales above market value, reversal of prior year impairment of Receivables, and reversal of revaluation decrement for buildings. These Gains were not forecast as part of the published budget.
4. The Supplies and services actual variance from budget is largely attributed to the funding deferrals to out-years for a number of projects.
5. The Grants and subsidies variance primarily relates to the budgeted Royalties for Regions program being subsequently transferred to other departments during 2013-14. Funding was also deferred for the Queensland Industry Incentive Scheme and fluoridation programs.
6. Impairment Loss is due to land being assessed as flood prone and contaminated during 2013-14.
7. The increase in revaluation decrements was a result of comprehensive revaluations undertaken across department Land that resulted in large decrements for several land holdings that were not forecast as part of the published budget.
8. The increase in Finance/borrowing actual costs is largely attributed to additional interest for development loans across EDQ subsequent to the 2014 Published Budget.