

# Financial overview

*The financial overview provides a summary of DPI&F's financial performance and position, and comments on significant movements during 2007–08.*

*It explains how to interpret the comprehensive set of 2007–08 financial statements (including explanatory notes and comparative 2006–07 figures) on pages 141–183, by providing a summary of the department's four primary financial statements: income statement, statement of changes in equity, cash flow statement and balance sheet (see Figure 33).*

*The remainder of the financial overview provides more detail on items that make up these statements, and the changes that occurred during the year that impacted on our financial outcomes. The overview provides information on our:*

- *2007–08 operating result*
- *revenue—where the dollars came from*
- *expenses—how the dollars were spent*
- *equity—what we're worth*
- *assets—what we own*
- *liabilities—what we owe*
- *capital acquisitions*
- *key financial ratios*
- *financial outlook for 2008–09.*



Figure 33: Summary of DPI&F's primary financial statements, 2007–08

<table border="0"> <tr> <td style="width: 20px;">←</td> <td style="background-color: #d9ead3; padding: 5px;"><b>Income statement</b></td> <td style="text-align: right; padding: 5px;"><b>\$million</b></td> </tr> <tr> <td></td> <td>Revenue</td> <td style="text-align: right;">391</td> </tr> <tr> <td></td> <td>Less: Operating expenses</td> <td style="text-align: right; border-top: 1px solid black;">392</td> </tr> <tr> <td></td> <td><b>Net result for year—Profit/(Loss)</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>(1)</b></td> </tr> </table>	←	<b>Income statement</b>	<b>\$million</b>		Revenue	391		Less: Operating expenses	392		<b>Net result for year—Profit/(Loss)</b>	<b>(1)</b>	<table border="0"> <tr> <td style="width: 20px;">←</td> <td style="background-color: #d9ead3; padding: 5px;"><b>Income statement</b></td> </tr> <tr> <td></td> <td>Shows the extent to which equity is increased or decreased by the operating surplus or deficit during the year. The 2007–08 operating result is a break-even result after technical accounting adjustments for Croxdale Research Station and Wild Dog Barrier Fence.</td> </tr> </table>	←	<b>Income statement</b>		Shows the extent to which equity is increased or decreased by the operating surplus or deficit during the year. The 2007–08 operating result is a break-even result after technical accounting adjustments for Croxdale Research Station and Wild Dog Barrier Fence.																								
←	<b>Income statement</b>	<b>\$million</b>																																							
	Revenue	391																																							
	Less: Operating expenses	392																																							
	<b>Net result for year—Profit/(Loss)</b>	<b>(1)</b>																																							
←	<b>Income statement</b>																																								
	Shows the extent to which equity is increased or decreased by the operating surplus or deficit during the year. The 2007–08 operating result is a break-even result after technical accounting adjustments for Croxdale Research Station and Wild Dog Barrier Fence.																																								
<table border="0"> <tr> <td style="width: 20px;">→</td> <td style="background-color: #d9ead3; padding: 5px;"><b>Statement of changes in equity</b></td> <td style="text-align: right; padding: 5px;"><b>\$million</b></td> </tr> <tr> <td></td> <td>Balance of equity at beginning of year</td> <td style="text-align: right;">427</td> </tr> <tr> <td></td> <td>Contributed equity</td> <td style="text-align: right;">\$10</td> </tr> <tr> <td></td> <td>Asset revaluations</td> <td style="text-align: right;">\$19</td> </tr> <tr> <td></td> <td>Net result for year</td> <td style="text-align: right; border-top: 1px solid black;">\$(1)</td> </tr> <tr> <td></td> <td><b>Total change in equity</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>28</b></td> </tr> </table>	→	<b>Statement of changes in equity</b>	<b>\$million</b>		Balance of equity at beginning of year	427		Contributed equity	\$10		Asset revaluations	\$19		Net result for year	\$(1)		<b>Total change in equity</b>	<b>28</b>	<table border="0"> <tr> <td style="width: 20px;">←</td> <td style="background-color: #d9ead3; padding: 5px;"><b>Statement of changes in equity</b></td> </tr> <tr> <td></td> <td>Shows the increase in equity as at 30 June 2008, largely due to government equity injections for capital outlays, extinguishing the non-current portion of annual leave balances and indexation of non-current assets to reflect present valuations.</td> </tr> </table>	←	<b>Statement of changes in equity</b>		Shows the increase in equity as at 30 June 2008, largely due to government equity injections for capital outlays, extinguishing the non-current portion of annual leave balances and indexation of non-current assets to reflect present valuations.																		
→	<b>Statement of changes in equity</b>	<b>\$million</b>																																							
	Balance of equity at beginning of year	427																																							
	Contributed equity	\$10																																							
	Asset revaluations	\$19																																							
	Net result for year	\$(1)																																							
	<b>Total change in equity</b>	<b>28</b>																																							
←	<b>Statement of changes in equity</b>																																								
	Shows the increase in equity as at 30 June 2008, largely due to government equity injections for capital outlays, extinguishing the non-current portion of annual leave balances and indexation of non-current assets to reflect present valuations.																																								
<table border="0"> <tr> <td style="width: 20px;">→</td> <td><b>Total equity at end of year</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>455</b></td> </tr> </table>	→	<b>Total equity at end of year</b>	<b>455</b>																																						
→	<b>Total equity at end of year</b>	<b>455</b>																																							
<table border="0"> <tr> <td style="width: 20px;">→</td> <td style="background-color: #d9ead3; padding: 5px;"><b>Cash flow statement</b></td> <td style="text-align: right; padding: 5px;"><b>\$million</b></td> </tr> <tr> <td></td> <td>Operating activities</td> <td style="text-align: right;">4</td> </tr> <tr> <td></td> <td>Investing activities</td> <td style="text-align: right;">(6)</td> </tr> <tr> <td></td> <td>Financing activities</td> <td style="text-align: right;">3</td> </tr> <tr> <td></td> <td>Net increase in cash held</td> <td style="text-align: right; border-top: 1px solid black;">1</td> </tr> <tr> <td></td> <td>Cash at beginning of year</td> <td style="text-align: right;">35</td> </tr> <tr> <td></td> <td><b>Cash at end of reporting year</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>36</b></td> </tr> </table>	→	<b>Cash flow statement</b>	<b>\$million</b>		Operating activities	4		Investing activities	(6)		Financing activities	3		Net increase in cash held	1		Cash at beginning of year	35		<b>Cash at end of reporting year</b>	<b>36</b>	<table border="0"> <tr> <td style="width: 20px;">←</td> <td style="background-color: #d9ead3; padding: 5px;"><b>Cash flow statement</b></td> </tr> <tr> <td></td> <td>Shows the nature and amount of our cash inflows and outflows from all activities. DPI&amp;F's cash held at the end of the reporting period was \$36 million compared to \$35 million as at 30 June 2007.</td> </tr> </table>	←	<b>Cash flow statement</b>		Shows the nature and amount of our cash inflows and outflows from all activities. DPI&F's cash held at the end of the reporting period was \$36 million compared to \$35 million as at 30 June 2007.															
→	<b>Cash flow statement</b>	<b>\$million</b>																																							
	Operating activities	4																																							
	Investing activities	(6)																																							
	Financing activities	3																																							
	Net increase in cash held	1																																							
	Cash at beginning of year	35																																							
	<b>Cash at end of reporting year</b>	<b>36</b>																																							
←	<b>Cash flow statement</b>																																								
	Shows the nature and amount of our cash inflows and outflows from all activities. DPI&F's cash held at the end of the reporting period was \$36 million compared to \$35 million as at 30 June 2007.																																								
<table border="0"> <tr> <td style="width: 20px;">→</td> <td style="background-color: #d9ead3; padding: 5px;"><b>Balance sheet</b></td> <td style="text-align: right; padding: 5px;"><b>\$million</b></td> </tr> <tr> <td></td> <td>Current assets (including cash and deposits of \$36 million)</td> <td style="text-align: right;">64</td> </tr> <tr> <td></td> <td>Non-current assets (including property, plant and equipment)</td> <td style="text-align: right;">449</td> </tr> <tr> <td></td> <td>Biological assets</td> <td style="text-align: right;">2</td> </tr> <tr> <td></td> <td><b>Total assets</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>516</b></td> </tr> <tr> <td></td> <td>Current liabilities</td> <td style="text-align: right;">61</td> </tr> <tr> <td></td> <td>Non-current liabilities</td> <td style="text-align: right;">0</td> </tr> <tr> <td></td> <td><b>Total liabilities</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>61</b></td> </tr> <tr> <td></td> <td><b>Net assets</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>455</b></td> </tr> <tr> <td></td> <td>Retained equity</td> <td style="text-align: right;">247</td> </tr> <tr> <td></td> <td>Reserves</td> <td style="text-align: right;">208</td> </tr> <tr> <td></td> <td><b>Total equity</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>455</b></td> </tr> </table>	→	<b>Balance sheet</b>	<b>\$million</b>		Current assets (including cash and deposits of \$36 million)	64		Non-current assets (including property, plant and equipment)	449		Biological assets	2		<b>Total assets</b>	<b>516</b>		Current liabilities	61		Non-current liabilities	0		<b>Total liabilities</b>	<b>61</b>		<b>Net assets</b>	<b>455</b>		Retained equity	247		Reserves	208		<b>Total equity</b>	<b>455</b>	<table border="0"> <tr> <td style="width: 20px;">←</td> <td style="background-color: #d9ead3; padding: 5px;"><b>Balance sheet</b></td> </tr> <tr> <td></td> <td>Shows the assets and liabilities which make up our equity of \$455 million as at 30 June 2008. Current liabilities at 30 June 2008 include \$15 million payable to Treasury due to establishment of whole-of-government annual leave scheme for current leave balances. Non-current annual leave balances of \$6 million are to be transferred by an equity transfer to Queensland Treasury during 2008–09.</td> </tr> </table>	←	<b>Balance sheet</b>		Shows the assets and liabilities which make up our equity of \$455 million as at 30 June 2008. Current liabilities at 30 June 2008 include \$15 million payable to Treasury due to establishment of whole-of-government annual leave scheme for current leave balances. Non-current annual leave balances of \$6 million are to be transferred by an equity transfer to Queensland Treasury during 2008–09.
→	<b>Balance sheet</b>	<b>\$million</b>																																							
	Current assets (including cash and deposits of \$36 million)	64																																							
	Non-current assets (including property, plant and equipment)	449																																							
	Biological assets	2																																							
	<b>Total assets</b>	<b>516</b>																																							
	Current liabilities	61																																							
	Non-current liabilities	0																																							
	<b>Total liabilities</b>	<b>61</b>																																							
	<b>Net assets</b>	<b>455</b>																																							
	Retained equity	247																																							
	Reserves	208																																							
	<b>Total equity</b>	<b>455</b>																																							
←	<b>Balance sheet</b>																																								
	Shows the assets and liabilities which make up our equity of \$455 million as at 30 June 2008. Current liabilities at 30 June 2008 include \$15 million payable to Treasury due to establishment of whole-of-government annual leave scheme for current leave balances. Non-current annual leave balances of \$6 million are to be transferred by an equity transfer to Queensland Treasury during 2008–09.																																								

## Operating result

In 2007–08, DPI&F recorded an operating deficit of \$1.4 million. The key reasons for the deficit result are two technical accounting adjustments:

- \$1.1 million for a one-off adjustment associated with gifting the Croxdale Research Station to the South West Regional Economic Development Association as part of the Queensland Government’s Blueprint for the Bush initiative
- \$0.3 million for an accounting treatment change for the Wild Dog Barrier Fence.

After allowing for these accounting adjustments, DPI&F recorded a break-even budget position. In the context of the complexity of financial challenges faced by the department in 2007–08 (including the successful emergency response to equine influenza), the end of year position is considered to be an excellent overall result.

## Revenue—where the dollars came from

In 2007–08, our total operating revenues were \$390.6 million, an increase of \$24.4 million on 2006–07. This is largely due to additional revenues received under national emergency response cost-sharing arrangements for managing equine influenza. DPI&F operates primarily through funding allocated by parliament. Other major revenue sources include charges for goods and services (includes national cost sharing revenues), taxes, fees and fines (including fishing licences), and grants and contributions from external research bodies.

Figure 34: DPI&F revenue, 2007–08

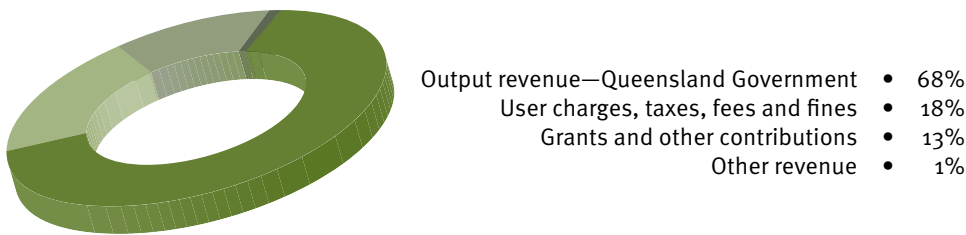
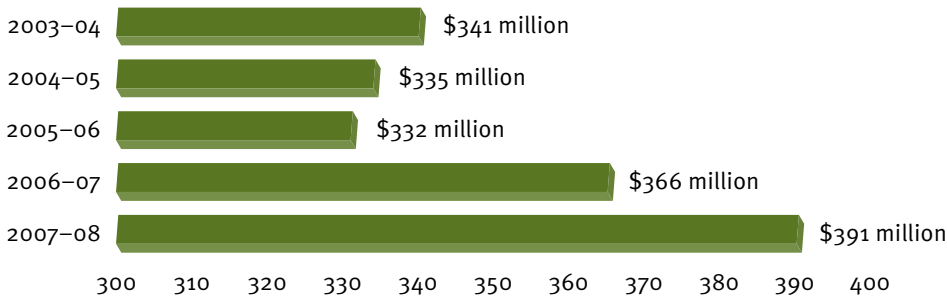


Figure 35: DPI&F five-year revenue trends





### Expenses—how the dollars were spent

In 2007–08, our total operating expenses were \$392.1 million (\$366.2 million in 2006–07), which included \$30 million of expenses relating to managing equine influenza. The primary components of expenses are employee expenses, and supplies and services.

Figure 36: DPI&F expenses, 2007–08

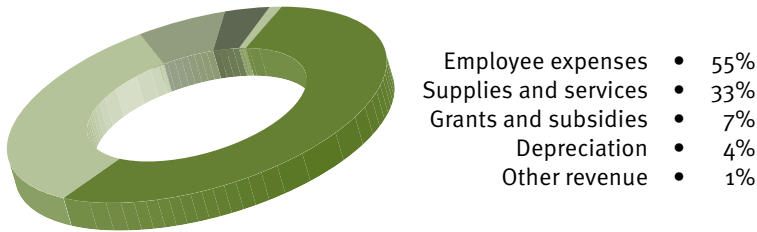


Figure 37: DPI&F five-year expense trends

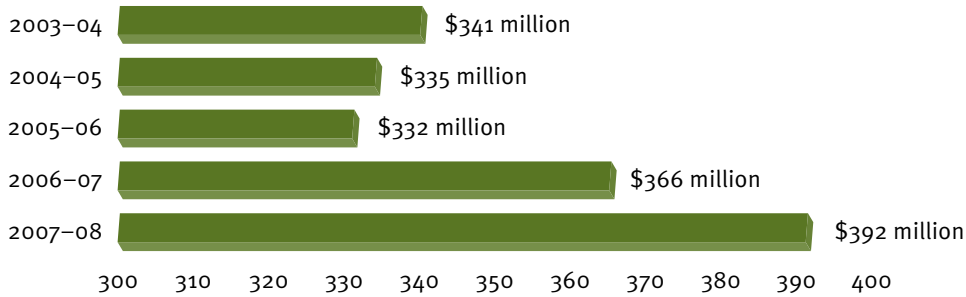
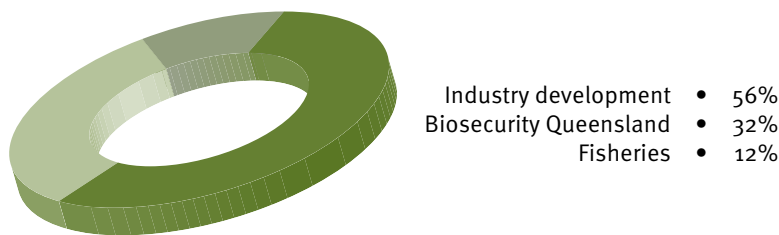


Figure 38 provides a breakdown of total operating expenses into DPI&F’s core service delivery activities, or outputs.

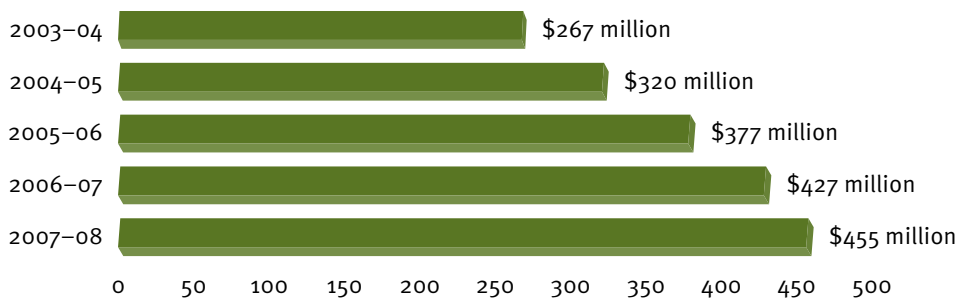
*Figure 38: Operating expenses by DPI&F outputs, 2007–08*



### Our equity—what we are worth

Equity is net worth, which is calculated by ‘what we own’ (total assets of \$515.7 million) less ‘what we owe’ (total liabilities of \$60.7 million). As at 30 June 2008, DPI&F’s equity was \$455 million, an increase of \$27.8 million (6.6%) over the previous year. The increase is largely due to equity injections from government to fund capital outlays, transfer of non-current portion of annual leave balances and indexation of non-current assets to reflect present valuations.

*Figure 39: DPI&F five-year equity trends*





## Assets—what we own

As at 30 June 2008, DPI&F had total assets of \$515.7 million, an increase of \$20.6 million (4%) over 2006–07. Almost all of the department’s major assets (98%) are cash, receivables (mainly trade debtors), property, plant and equipment (mainly land, buildings, plant and equipment), and prepayments (lease payments).

Figure 40: DPI&F total assets

Asset type	2007–08 (\$ million)	2006–07 (\$ million)	Change (%)	Explanation
Cash assets	35.5	34.6	↑ 2.8	Cash assets are held to meet DPI&F’s financial obligations and expenses relating to funds restricted for specific purposes (e.g. contributions from external funding bodies for future research and development). The 30 June 2008 balance includes sale proceeds from our Rocklea site. There is also \$15 million payable for current leave balances to Treasury due to a new whole-of-government annual leave scheme.
Receivables	24.2	23.8	↑ 1.9	Receivables represent the amount owing by trade debtors for materials and services provided to them by DPI&F. The increase is mainly attributable to equine influenza claims yet to be paid by the Australian Government.
Property, plant and equipment	436.2	417.2	↑ 4.6	Most of the department’s assets are land, buildings, plant and equipment. The increase is mainly attributable to equity injections and indexation of non-current assets.
Prepayments	12.0	4.4	↑ 173.0	The increase is mainly attributable to lease prepayments for the Centre for Advanced Animal Science at Gatton, to be completed early 2008–09.

## Liabilities—what we owe

As at 30 June 2008, DPI&F had total liabilities of \$60.6 million, a decrease of \$7.3 million (10.6%) over the previous year. The department’s liabilities are comprised of payables (mainly trade creditors), provisions (accrued salaries and wages) and other liabilities (mainly unearned revenue from external funding bodies).

Figure 41: DPI&amp;F total liabilities

Liability type	2007–08 (\$ million)	2006–07 (\$ million)	Change (%)	Explanation
Payables	31.0	18.3	↑ 69.4	Payables represent the amount owing to creditors as at 30 June 2008 for materials and services provided to DPI&F. The department has sufficient funds to meet these obligations as and when they are due. The 30 June 2008 balance includes \$15 million payable to Treasury due to a new whole-of-government annual leave scheme.
Accrued employee benefits	5.3	24.6	↓ 78.6	This relates to a provision for the cost of employee entitlements (excluding 2007–08 annual leave). A payable has been raised to pay the current portion of the balance (\$15 million) as cash in 2008–09 with the remaining \$6 million to be transferred as an equity transfer.
Other liabilities	24.4	24.9	↓ 2.0	This represents funds restricted for specific purposes (e.g. contributions from external funding bodies for future research and development).

## Capital acquisitions

During 2007–08, our capital expenditure of \$18 million primarily focused on developing world-class research facilities to deliver scientific outcomes for primary industries and fisheries. This expenditure included:

- \$6.9 million for new and upgraded scientific and computer equipment, research facilities development and minor works projects
- \$4 million to complete construction of the Queensland Crop Development Facility in the Redlands
- \$2.5 million to acquire new and replacement vessels and heavy plant and equipment
- \$1.4 million to purchase a suitable property for the relocation of the Tick Fever Centre breeder herd
- \$0.7 million to commence construction of the new Regional Office Complex at Nambour.

During 2007–08, DPI&F continued to provide expertise in the planning of CSIRO Ecosciences Precinct at Boggo Road and Health and Food Sciences Precinct at Coopers Plains. These projects represent a state government investment of \$290 million.

Strategic planning is also underway for future capital projects, consistent with DPI&F's enhanced service delivery priorities.



### Key financial ratios

Financial ratios provide a useful snapshot of DPI&F's financial status and trends, and measure the department's performance in achieving its financial management objectives. The formulas used assist in evaluating results against those of other government agencies.

Figure 42: DPI&F key financial ratios

Ratio	Ratio formula	Description	2007-08
Working capital	Current assets/current liabilities	Measures DPI&F's ability to meet current commitments	1.06 times
Government contribution	Output revenue/total revenue	Measures DPI&F's dependence on Queensland Government revenue	67.64%
Labour ratio	Labour expenses/total expenses	Measures DPI&F's commitment to staff	55.15%
Net worth movement	Current year equity/prior year equity	Measures growth in net assets within DPI&F	1.07 times
Current asset movement	Current year current assets/prior year current assets	Measures growth in current assets within DPI&F	94.64%
Current liabilities movement	Current year current liabilities/prior year current liabilities	Measures growth in current liabilities within DPI&F	89.31%

138



	2006-07	2005-06	2004-05	2003-04	Interpretation of result
	1.00 times	0.89 times	0.95 times	0.95 times	Liquidity at 30 June 2008 is sound with \$36 million in cash assets available to meet current commitments as and when they fall due.
	73.30%	68.50%	67.30%	67.60%	DPI&F's reliance on Queensland Government revenue remains consistent. The decrease in 2007-08 is largely due to additional revenues under national cost-sharing arrangements for the equine influenza emergency response. The increase in 2006-07 included additional funding for sugarcane smut, Cyclone Larry recovery activities, machinery-of-government changes involving the Department of Natural Resources and Water, and implementation of our workforce renewal scheme.
	56.60%	59.80%	57.30%	54.90%	DPI&F's 2007-08 labour expenses have continued to decline as the department repositions its workforce.
	1.13 times	1.18 times	1.20 times	1.09 times	DPI&F's net worth has been steadily increasing over recent years. The increase in 2007-08 is mainly due to government equity injections and indexation of non-current asset to reflect present valuations.
	120.10%	105.70%	127.00%	96.60%	DPI&F's current assets have decreased during 2007-08, which is mainly due to the sale of our Rocklea site, which was classified as a current asset held for sale in the 2006-07 financial statements with part of the sale proceeds paid to Treasury during 2007-08.
	106.90%	112.60%	127.90%	94.90%	There have been significant movements in current liability levels over recent years with 2007-08 showing a return to healthy levels. The decrease in 2007-08 is mainly due to receiving a 2006-07 payable relating to machinery-of-government changes involving the Department of Natural Resources and Water and the transfer to Treasury of annual leave balances.



### Outlook for 2008–09

In 2008–09, DPI&F will continue to manage our finances and assets in the most cost-effective way possible. We will build on our holistic approach to financial management and performance reporting to enhance our ability to accurately forecast and manage revenues and expenses. We will continue to refine our asset management and capital investment through strategic asset modelling and asset use planning and assessments to ensure optimal investment in infrastructure. These activities will underpin the development of an enhanced service delivery plan and investment blueprint, which will revolutionise the way DPI&F invests in services and infrastructure.

#### 2008–09 operating budget

Our budget focus for 2008–09 is facilitating the accelerated and sustainable growth of Queensland’s primary industries. In 2008–09, DPI&F has budgeted for total expenses of \$342.4 million, including a Queensland Government investment of \$259.6 million (an increase of \$11.3 million or 5% on last year’s budget). Key elements in the 2008–09 budget include:

- \$205.3 million for research facilities, world-class science, sustainable industry development and innovation to help primary industries maximise trade and export potential
- \$90.3 million to help Biosecurity Queensland protect Queensland’s primary industries, communities and environment from the potential impacts of plant, insect, animal and marine pests and improper use of agricultural chemicals
- \$46.7 million for fisheries programs that manage and protect all aspects of Queensland’s unique marine and freshwater fish and seafood resources.

#### 2008–09 capital expenditure

Our capital expenditure program for 2008–09 is \$25 million, and focuses on developing world-class research facilities to deliver excellent scientific outcomes for primary industries and fisheries. This investment will include:

- \$4.5 million to redevelop the Bribie Island Aquaculture Research Centre into the more diverse Bribie Island Research Centre—combining fisheries and aquaculture research at the one facility
- \$1.1 million to continue construction of a new facility at the Maroochy Research Station, which will provide operational savings by co-locating management, industry development and research staff at the one research station
- \$1 million to upgrade stockyards and fences to relocate the Tick Fever Centre specific pathogen-free breeder herd from Wacol to Dalby.

Stage 2 of the new Centre for Advanced Animal Science (CAAS) at The University of Queensland’s Gatton Campus was recently opened by the Minister. This joint DPI&F and UQ project includes the relocation of DPI&F’s large animals from its Animal Research Institute at Yeerongpilly. The total project cost is \$32.9 million, with the Smart State Research Facilities Fund contributing \$9.5 million, DPI&F \$11.8 million, and UQ \$11.7 million. Since DPI&F will lease CAAS for 25 years, this project is not classified as a capital acquisition but is a key highlight in the renewal of DPI&F’s facilities.

We will also continue to provide expertise to assist with planning the collaborative Ecosciences Precinct at Boggo Road and the Health and Food Sciences Precinct at Coopers Plains.