



Tasmania

**CONSOLIDATED
FINANCIAL
STATEMENTS
FOR THE STATE
OF TASMANIA
2002-03**



Department of Treasury and Finance
March 2004

CONTENTS

	Page
Introduction	1
Analysis of Total State Sector Operating Result	1
Overview of the State's Financial Position	4
Audited Financial Statements	7
Statement of Certification	7
Opinion of the Auditor-General	8
Statement of Financial Performance	9
Statement of Financial Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	12

Index to notes accompanying the Consolidated Financial Statements

	Page	
Note 1	Statement of significant accounting policies	12
Note 2	Disaggregated information	21
Note 3	Taxation revenue	25
Note 4	Investment income	25
Note 5	Grants revenue	25
Note 6	Sales of goods and services	25
Note 7	Other revenues	26
Note 8	Employee entitlements	26
Note 9	Depreciation	26
Note 10	Interest and other financing costs	26
Note 11	Supplies and consumables	27
Note 12	Other expenses	27
Note 13	Investments	27
Note 14	Receivables	28
Note 15	Other assets	28
Note 16	Land, buildings and forest estate	29
Note 17	Plant and equipment	29
Note 18	Infrastructure	29
Note 19	Reconciliation of non-current assets	30
Note 20	Payables	30
Note 21	Borrowings	30
Note 22	Employee entitlements	31
Note 23	Superannuation	31
Note 24	Other liabilities	33
Note 25	Commitments	33
Note 26	Contingent liabilities	34
Note 27	Compliance with Appropriation	37
Note 28	Additional financial instruments disclosure	37
Note 29	Reconciliation of Net Cash Flows from Operating Activities to Operating Surplus	42
Note 30	Statement of Net Cash Flows from Financial Institutions	43
Note 31	Closing cash and cash equivalents	43
Note 32	Reconciliation of changes in equity	44
Note 33	Asset revaluation reserve	44
Note 34	Details of controlled entities	44

INTRODUCTION

ANALYSIS OF TOTAL STATE SECTOR OPERATING RESULT

The following analysis compares current year Total State Sector revenues and expenses, on an accounting basis, with prior year amounts.

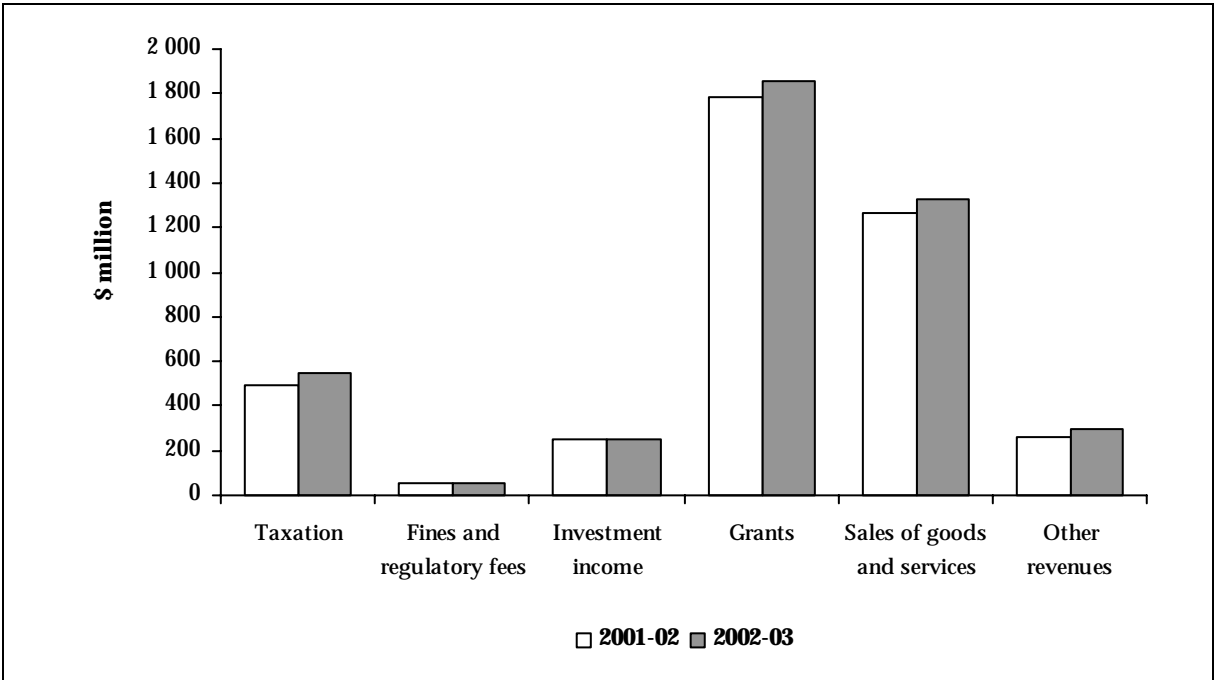
The 2002-03 operating result shows a surplus of \$22 million, a decrease of \$54 million from the surplus of \$76 million recorded in 2001-02, as a result of an increase of \$208 million in revenues, offset by an increase of \$262 million in expenses.

Revenues

Total revenues for the year ended 30 June 2003 were \$4 328 million, an increase of \$208 million, or 5.1 per cent, over the previous year. Increased revenue arose from increases in grants (\$68 million), taxation (\$46 million), sales of goods and services (\$58 million) and increased proceeds from the disposal of non-current assets (\$77 million). These increases were partially offset by a reduction in other revenue (\$38 million).

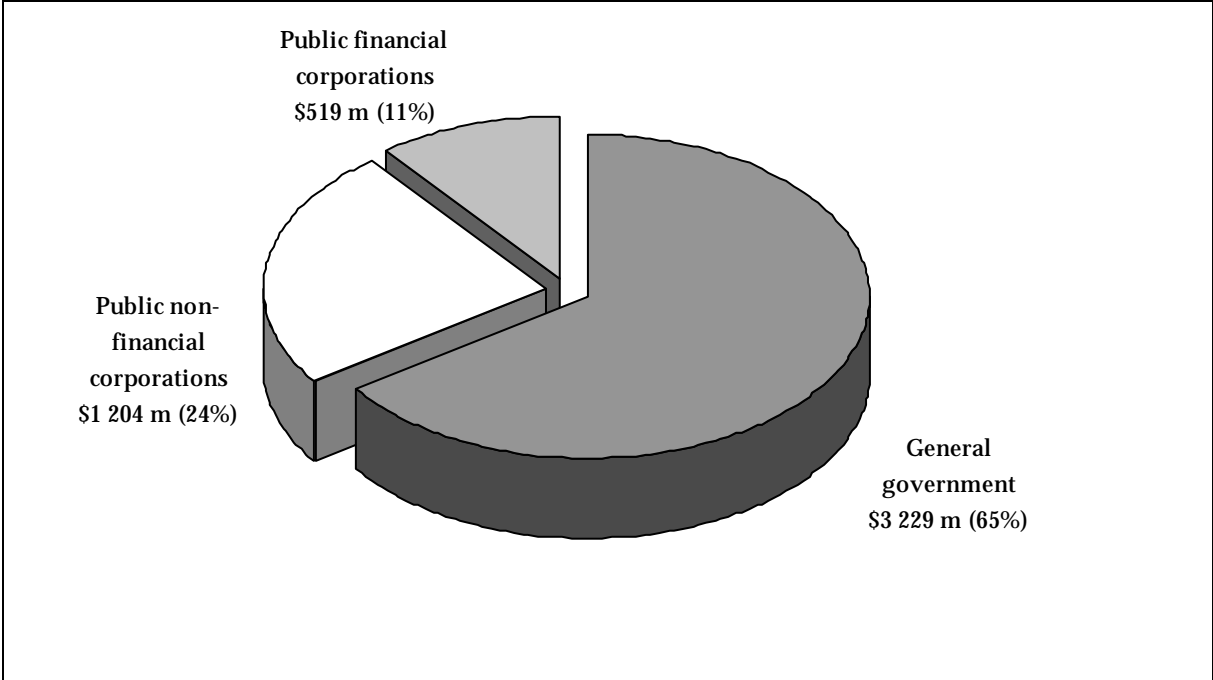
Total revenues by category for 2001-02 and 2002-03 are shown in figure 1.

Figure 1: Total revenues by category



Disaggregated revenues by sector are shown in figure 2. Additional details of sector balances are shown in the notes to the statements.

Figure 2: Disaggregated sector revenues

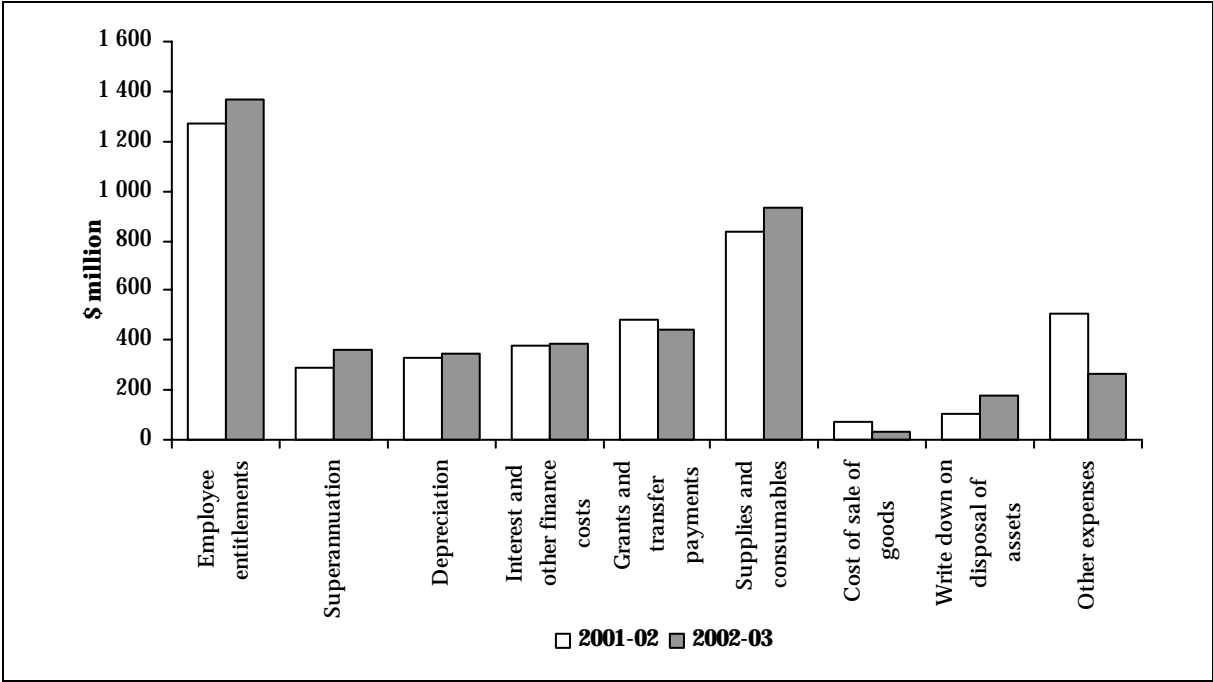


Expenses

Total expenses for the year ended 30 June 2003 were \$4 306 million, an increase of \$262 million, or 6.5 per cent over the previous year. The major factors contributing to the change are increases of \$99 million in employee expenses, \$71 million in superannuation expenses and \$98 million in supplies and consumables. Other increases in depreciation and write down on disposal of non-current assets were largely offset by decreases in grant expenses, cost of sale of goods and other expenses.

Expenses by category for 2001-02 and 2002-03 are shown in figure 3.

Figure 3: Total expenses by category

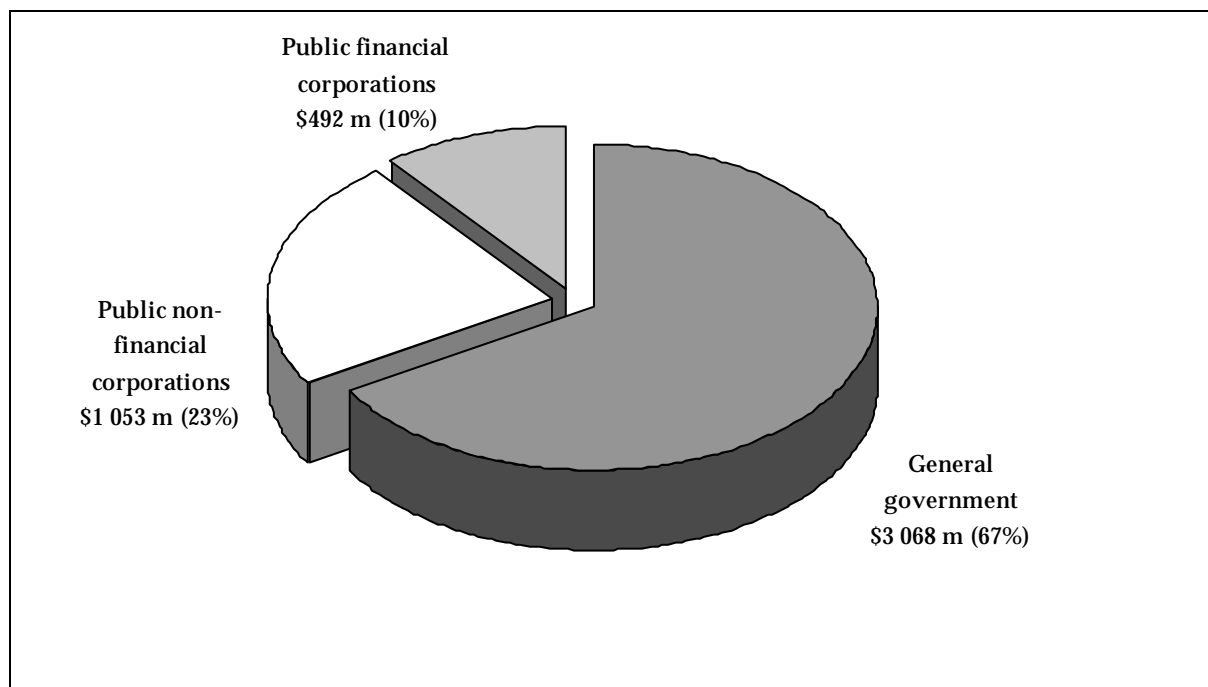


Employee Entitlements

The majority of expenses of the State relate to costs of employment. Employee entitlements primarily consist of salaries and wages and represent 31.8 per cent of total expenditure. Of the total employee entitlement expense for the State, nearly two thirds of these costs are incurred by the Department of Education (28.7 per cent), the Department of Health and Human Services (27.7 per cent) and the Department of Police and Public Safety (5.8 per cent).

Disaggregated sector expenses are shown in figure 4. Additional details of sector balances are shown in the notes to the statements.

Figure 4: Disaggregated sector expenses



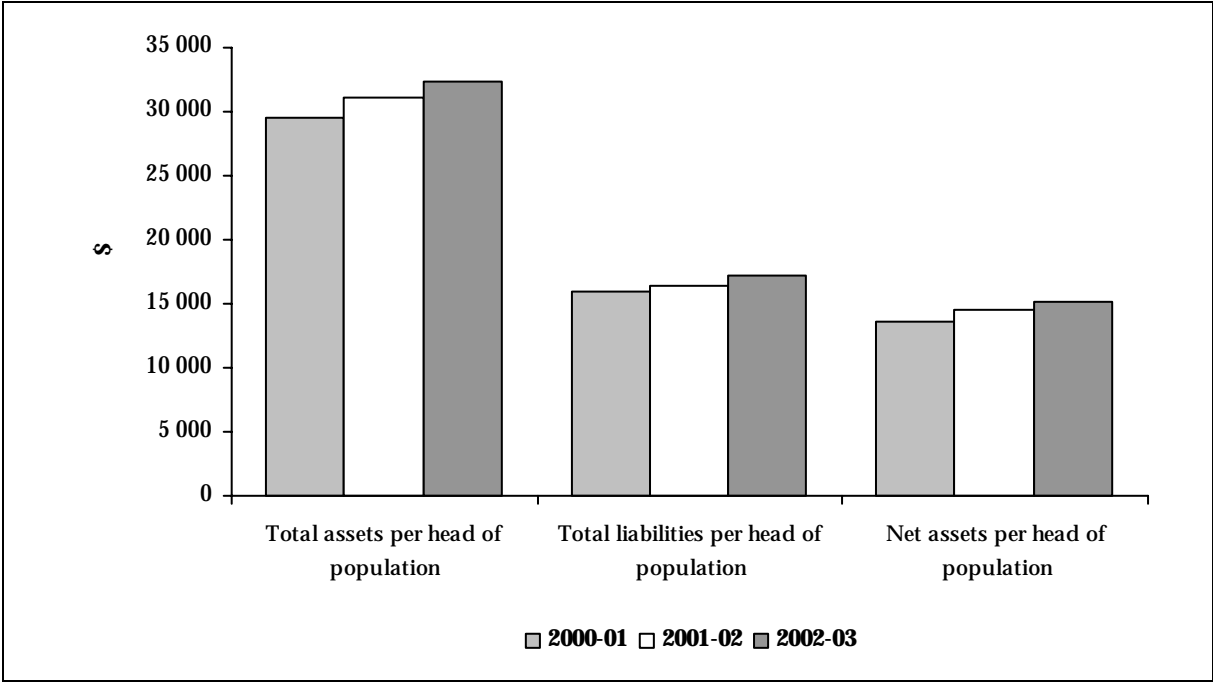
OVERVIEW OF THE STATE'S FINANCIAL POSITION

As at 30 June 2003, total assets of \$15 423 million exceeded total liabilities of \$8 194 million, resulting in net assets of \$7 229 million. This compares with \$6 925 million net assets at 30 June 2002.

Based on a Tasmanian population of 477 100 at 30 June 2003, the net assets per head of population was \$15 152, an increase of 4 per cent over 30 June 2002.

Figure 5 depicts net assets per head of population.

Figure 5: Net assets per head of population

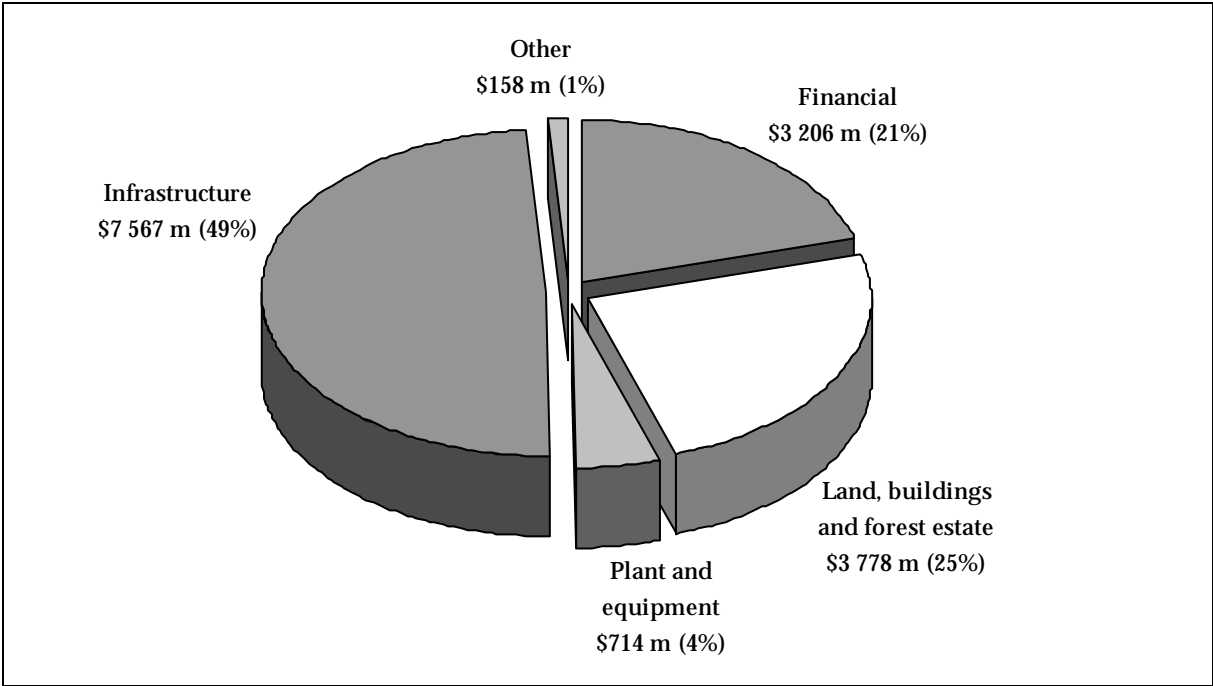


Assets

Total assets amounted to \$15 423 million as at 30 June 2003, an increase of \$700 million from 30 June 2002. Total assets consist of current assets of \$883 million and non-current assets of \$14 540 million.

Total assets, by category, are shown in figure 6.

Figure 6: Total assets by category

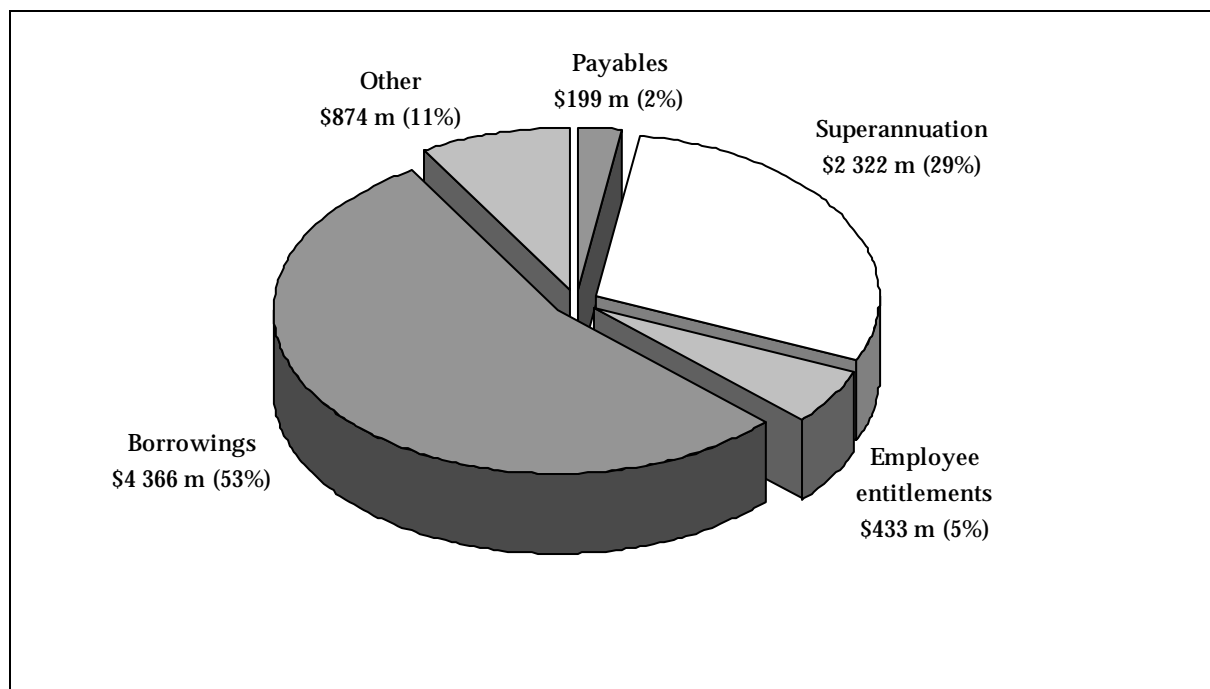


Liabilities

Total liabilities amounted to \$8 194 million as at 30 June 2003 (an increase of \$396 million, or 5.1 per cent from 30 June 2002). Total liabilities consist of current liabilities of \$2 654 million and non-current liabilities of \$5 540 million.

Total liabilities by category are shown in figure 7.

Figure 7: Total liabilities by category



AUDITED FINANCIAL STATEMENTS

STATEMENT OF CERTIFICATION

STATE OF TASMANIA

CONSOLIDATED FINANCIAL STATEMENTS 2002-03

STATEMENT OF CERTIFICATION

The Consolidated Financial Statements for the State of Tasmania have been prepared by the Department of Treasury and Finance from information provided by State entities.

In our opinion, the Statements:

- fairly present the operating results and cash flows of the State for the year ended 30 June 2003 and the financial position of the State as at 30 June 2003; and
- have been prepared in accordance with applicable Australian Accounting Standards, in particular AAS 31 *Financial Reporting by Governments* and Urgent Issues Group Consensus Views.

At the date of signing, we are not aware of any circumstances that would render any particulars included in the Consolidated Financial Statements to be misleading or inaccurate.



Paul Lennon
TREASURER

23 February 2004



D W Challen
SECRETARY
Department of Treasury and Finance

OPINION OF THE AUDITOR-GENERAL



INDEPENDENT AUDIT REPORT

To the Treasurer of Tasmania

STATE OF TASMANIA – CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

Scope

I have audited the State of Tasmania – Consolidated Financial Statements (comprising Financial Performance, Financial Position and Cash Flows Statements and notes thereto) for the year ended 30 June 2003. The Department of Treasury and Finance assumed responsibility for preparation of the Consolidated Financial Statements from information provided by State entities. I have conducted an independent audit of the Consolidated Financial Statements in order to express an opinion on them.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report; and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with my understanding of the financial position of the State of Tasmania and the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial report presents fairly, in accordance with Accounting Standards and other mandatory professional reporting requirements, the financial position of the State of Tasmania as at 30 June 2003, and the results of its operations and its cash flows for the year then ended.

A handwritten signature in blue ink, appearing to read "D W R Baulch", is written over a light blue background.

D W R Baulch
ACTING AUDITOR-GENERAL

4 March 2004

HOBART

Accountability on Your Behalf

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2002-03	2001-02
		\$m	\$m
Revenues			
Taxation	3	543	497
Fines and regulatory fees		58	53
Investment income	4	249	254
Grants	5	1 856	1 788
Sales of goods and services	6	1 327	1 269
Proceeds from disposal of non-current assets		142	65
Fair value of assets received free of charge or for nominal consideration		....	3
Other revenues	7	153	191
Total Revenues		4 328	4 120
Expenses			
Employee entitlements	8	1 368	1 269
Superannuation		361	290
Depreciation	9	349	329
Interest and other financing costs	10	382	379
Grants and transfer payments		441	479
Supplies and consumables	11	935	837
Cost of sale of goods		29	73
Write down on disposal of non-current assets		173	102
Other expenses	12	268	286
Total Expenses		4 306	4 044
OPERATING SURPLUS		22	76

STATEMENT OF FINANCIAL POSITION

	Note	2002-03	2001-02
		\$m	\$m
Assets			
Current assets			
Cash		73	27
Investments	13	396	862
Receivables	14	251	205
Prepayments		10	9
Accrued revenue		7	33
Tax assets		24	12
Other current assets	15	122	96
Total current assets		883	1 244
Non-current assets			
Investments	13	2 428	1 663
Receivables	14	17	26
Land, buildings and forest estate	16	3 778	3 677
Plant and equipment	17	714	691
Infrastructure	18	7 567	7 364
Other non-current assets	15	36	58
Total non-current assets		14 540	13 479
Total assets		15 423	14 723
Liabilities			
Current liabilities			
Payables	20	112	110
Borrowings	21	1 761	1 669
Employee entitlements	22	214	192
Superannuation	23	181	163
Accrued expenses		153	152
Tax liabilities		16	4
Other current liabilities	24	217	167
Total current liabilities		2 654	2 457
Non-current liabilities			
Payables	20	87	26
Borrowings	21	2 605	2 722
Employee entitlements	22	219	201
Superannuation	23	2 141	1 946
Other non-current liabilities	24	488	447
Total non-current liabilities		5 540	5 341
Total liabilities		8 194	7 798
NET ASSETS		7 229	6 925
Retained profits		2 969	2 952
Reserves		4 260	3 973
Total equity	32	7 229	6 925

STATEMENT OF CASH FLOWS

	Note	2002-03	2001-02
		\$m	\$m
Cash flows from operating activities			
Receipts			
Taxation		558	494
Fines and regulatory fees		66	67
Interest received		24	11
Grants		1 856	1 783
Sales of goods and services		1 360	1 348
GST receipts		200	161
Other receipts		279	241
Payments			
Employee entitlements		(1 333)	(1 264)
Superannuation		(125)	(120)
Interest paid		(13)	(16)
Grants and transfer payments		(558)	(443)
Supplies and consumables		(1 029)	(1 028)
GST payments		(206)	(178)
Other payments		(245)	(244)
Net Cash from Operating Activities	29	834	812
Cash flows from investing activities			
Proceeds from sales of land, buildings and forest estate		39	30
Purchase of land, buildings and forest estate		(64)	(61)
Proceeds from sales of plant and equipment		98	33
Purchase of plant and equipment		(198)	(435)
Proceeds from sale of infrastructure		....	1
Purchase of infrastructure		(170)	(134)
Proceeds from other assets		1	2
Purchase of other assets		(8)	(7)
Net purchase of investments		(15)	(59)
Net customer loans repaid		11	15
Other payments		....	....
Net Cash used in Investing Activities		(306)	(615)
Cash flows from financing activities			
Repayment of borrowings		(11)	(30)
Finance lease principal repayments		(2)	(3)
Net Cash used in Financial Activities		(13)	(33)
Net Cash flows from Financial Institutions	30	(469)	(157)
Net increase/(decrease) in Cash Held		46	6
Cash at beginning of reporting period		27	21
CASH HELD AT 30 JUNE 2003	31	73	27

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Statement of significant accounting policies

The following summary sets out the significant accounting policies adopted in preparing the Consolidated Financial Statements:

A. Compliance framework

These statements are the audited Consolidated Financial Statements for the State of Tasmania (the State) and have been prepared in accordance with generally accepted accounting principles, including relevant Australian Accounting Standards, in particular Australian Accounting Standard AAS 31 *Financial Reporting by Governments*.

B. Basis of accounting and measurement

Generally, accrual accounting principles are employed in the preparation of these financial statements so as to recognise the financial effects of transactions and other events in the period in which they occur.

These financial statements are generally prepared on an historical cost basis, although most non-current physical assets are revalued at least every five years to recognise the current value of their remaining service potential (under a “fair value” approach).

Certain liabilities, most notably superannuation and workers’ compensation, are calculated with regard to actuarial assumptions.

C. Government reporting entity

The government reporting entity includes government statutory authorities, Public Non-Financial Corporations and Public Financial Corporations.

These entities are classified according to the Uniform Presentation Framework and disaggregated information is presented in Note 2. Specific details of the entities consolidated by the State are shown in Note 34.

In accordance with Australian Accounting Standards, the financial statements include all assets, liabilities, equities, revenues and expenses of the State, including those of entities controlled by the State as at 30 June 2003, or for part of the financial year ended on that date.

Uniform Presentation Framework

(a) General Government Sector

The primary function of entities within the General Government Sector is to provide public services (outputs). These outputs are mainly non-market in nature and are for the collective consumption of the community. They may involve the transfer or redistribution of income for public policy purposes and are financed mainly through taxes and other compulsory levies.

(b) Public Non-Financial Corporations Sector

The primary function of enterprises in the Public Non-Financial Corporations Sector is to provide goods and services within a competitive market which is non-regulatory and non-financial in nature. Such enterprises are financed mainly through sales to the consumer of goods and services.

(c) Public Financial Corporations Sector

The Public Financial Corporations Sector comprises enterprises which are government controlled and which have one or more of the following characteristics:

- perform a central banking function;
- accept call, term or savings deposits; or
- have the ability to incur liabilities and acquire financial assets in the market on their own account.

D. Basis of consolidation

Reporting entities controlled by the State are consolidated within these Consolidated Financial Statements.

Where control of an entity is obtained during a financial year, the results of that entity are included in the Statement of Financial Performance from the date on which control commenced. Where control of an entity ceases during a financial year, the entity's results are included for that part of the year for which control existed.

In the process of reporting the State as a single economic entity, all material transactions and balances between government controlled entities are eliminated. Commitments and contingent liabilities of reporting entities are consolidated and are disclosed in Notes 25 and 26 respectively.

E. Disaggregated information

The State's consolidated financial information has been disaggregated between the following sectors:

- General Government;
- Public Non-Financial Corporations; and
- Public Financial Corporations.

This information is provided as there is dissimilarity between General Government activities and those of entities in the Public Non-Financial Corporations and the Public Financial Corporations Sectors. Disclosure of this information is to assist users of these financial statements in determining the effects of differing activities on the financial position of the State. It will also assist users in identifying the resources used in the provision of a range of goods and services and the extent to which the State has recovered the costs of those resources from revenues attributable to those activities.

For the purposes of presenting disaggregated financial information, the expected future income tax equivalents receivable from the Public Non-Financial Corporations and Public Financial Corporations Sectors has been recognised in the statements for the General Government Sector.

F. Accounting periods

The reporting period for most reporting entities is the year ended 30 June. For those entities with a reporting date other than 30 June, the most recent financial year results are used.

G. Revenues

Taxation

State taxation and fee revenue is recognised upon the first occurrence of either:

- (a) receipt by the State of a taxpayer's self-assessed taxes and fees; or
- (b) the time the taxpayer's obligation to pay arises, pursuant to the issue of an assessment.

Interest is charged on outstanding amounts and is brought to account, where possible, on an accrual basis, otherwise as it is received. The collectability of debts is assessed at balance date and specific provision is made for doubtful debts.

Fines and regulatory fees

Revenue is recognised at the time the fine or regulatory fee is issued.

Investment income

Investment income includes interest, dividends and other income earned during the financial year from bank term deposits, shares and other investments. Interest income is recognised on an accrual basis and dividend income is recognised when dividends are publicly declared. Net realised and unrealised gains/losses on the revaluation of investments form part of investment income. The only entity within the consolidation to bring net unrealised gains/losses to account is the Motor Accidents Insurance Board.

Grants

These mainly consist of general and specific purpose Commonwealth grants to the State. Grants are recognised when the cash is received.

Sales of goods and services

Amounts earned in exchange for the provision of goods or services are recognised when the good or service is provided.

H. Expenses

Expenses are generally recognised on an accrual basis, that is, when incurred, and are reported in the financial period to which the expenses relate.

Employee entitlements

These expenses include all costs related to employment (other than superannuation) including salaries and wages, fringe benefits tax, workers' compensation, leave entitlements and redundancy payments.

Superannuation

Any change in the unfunded superannuation liability of the State, together with superannuation contributions paid or accrued, are recognised in the period in which they occur.

Depreciation

Depreciation recognises the consumption of the service potential of non-current physical assets as an expense. All infrastructure, buildings, plant and equipment and other non-current physical assets that have a limited useful life are depreciated. Land is not depreciated because it is considered to have an infinite useful life. Depreciation is not recognised in respect of heritage assets and collections as their service potential has not, in any material sense, been consumed during the reporting period. Depreciation rates and methods are generally reviewed annually.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time that an asset is held ready for use.

Depreciation of plant and equipment is generally calculated on a straight line basis.

Leasehold improvements are depreciated over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter.

Road infrastructure is depreciated on a straight line basis over its estimated useful life.

The State has a wide variety of assets within each class, which have varying useful lives. The following are typical estimated useful lives for the different asset classes in 2002-03.

<i>Asset Class</i>	<i>Useful Life</i>
Buildings	3 - 120 years
Computer equipment	3 - 7 years
Motor vehicles	2 - 6 years
Office equipment	2 - 15 years
Plant and equipment	2 - 20 years
Infrastructure assets	20 - 50 years
Roads	15 - 100 years

Interest and other financing costs

Interest on outstanding borrowings and other finance costs directly related to borrowings are recognised when incurred.

Grants and transfer payments

Payments to third parties are recognised as an expense when incurred and include transactions such as grants, subsidies and transfer payments made to non-government entities.

Supplies and consumables

These represent the costs, other than employee related costs, incurred in the normal operation of entities. These items are recognised as an expense when incurred.

I. Assets

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes “at call” deposits with banks net of bank overdrafts, highly liquid investments with short periods to maturity, and advances at call which are subject to insignificant risk of changes in value and borrowings and deposits from clients at call.

Investments

Investments are generally carried at face value adjusted for unamortised discounts or premiums and unrealised exchange gains or losses. Discounts and premiums are amortised over the life of the related instrument on the basis of yield at purchase, with the amortisation being treated as an expense in the Statement of Financial Performance. Any permanent diminution in the market value of an investment is treated as an expense in the Statement of Financial Performance.

Entities required to report under Australian Accounting Standard AAS 26 *Financial Reporting of General Insurance Activities* have valued their investments at net market value. Any movements in the value of investments between reporting dates are recognised as revenues or expense in the Statement of Financial Performance.

Loan advances

Loan advances are recognised net of any provision for non-performing debts and therefore disclose the amounts expected to be ultimately collected.

Receivables

Receivables are recognised net of any provision for bad and doubtful debts and therefore disclose the amounts expected to be ultimately collected.

Capitalisation of non-current physical assets

All non-current physical assets in the General Government Sector with a value above \$5 000 are capitalised. The capitalisation value of assets belonging to entities within the Public Non-Financial Corporations and Public Financial Corporations Sectors varies between \$500 and \$5 000.

Valuation of non-current physical assets

Over time, all land, buildings, infrastructure, heritage and cultural assets will be measured at their fair value, unless stated otherwise. All other classes of non-current assets are valued on the historic cost basis.

Land, buildings and forest estate

Land and buildings are initially recognised at historical cost. When revalued, the fair value methodology is applied.

All Crown Land and National Parks and Conservation Areas are valued at the Valuer-General’s latest valuation. Valuations are carried out on a five year cycle.

The forest estate is comprised of timber resource (being land and standing timber) and roads. The forest crop is valued using a discounted cash flow method to derive a net present value in compliance with Australian Accounting Standard AAS 35 *Self-Generating and Regenerating Assets*. Roads are valued at written down replacement cost. For more detail on the forest estate valuation, refer to the 2002-03 financial statements of Forestry Tasmania.

Plant and equipment

Plant and equipment is recognised at historical cost or valuation. When revalued, Plant and equipment is recognised at written-down replacement cost.

Infrastructure

Infrastructure assets include such items as:

- road infrastructure;
- bridge infrastructure;
- electricity generation dams;
- water supply systems and reservoirs; and
- electricity transmission network.

Road infrastructure valuation is based on replacement value, being the cost to provide a new road of the existing standard. Road condition surveys are conducted each financial year. Land under roads and within road reserves is valued at the Valuer-General's latest valuation

Bridge infrastructure valuations are based on replacement values calculated for different bridge types.

The electricity transmission network assets are valued upon the depreciated optimised replacement cost (DORC) methodology. For further details on this methodology, refer to Transend Networks Pty Ltd's 2002-03 Annual Report.

Heritage assets and collections

Heritage assets and collections are defined as those non-current physical assets that the State intends to preserve because of their unique historical, cultural or environmental attributes. These assets include items such as historic houses, monuments, certain museum exhibits, art collections, archival collections and other items of cultural significance.

All heritage assets and collections are generally recognised at their fair value.

Museum collections

Parliamentary museum and library collections have not been included in the valuation of non-current assets as no standard methodology for the valuation of such assets has been established.

The Tasmanian Museum and Art Gallery collections fall under the control of Trustees of the Tasmanian Museum and Art Gallery. They have no values disclosed in the Consolidated Financial Statements as values cannot be reliably determined. However, a \$40 million insurance cover has been made in respect of the collections.

Leases

A distinction is made between finance leases, which effectively transfer, from the lessor to the lessee, substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are recognised as assets and liabilities at the present value of the minimum lease payments. The lease asset is amortised on a straight-line basis over the term of the lease or, where it is likely that the entity will obtain ownership of the asset, the useful life of the asset to the entity. Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating lease payments are recognised as an expense in the Statement of Financial Performance systematically over the term of the lease.

The cost of leasehold improvements is capitalised as an asset and amortised over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

Details of commitments in relation to operating leases, which by their nature do not give rise to liabilities, are disclosed in Note 25B.

J. Liabilities

Payables

This item consists predominantly of creditors and other sundry liabilities.

Borrowings

The State's borrowings represent funds raised from the following sources:

- loans raised by the Commonwealth on behalf of the State;
- domestic and overseas borrowings via the Tasmanian Public Finance Corporation; and
- overdraft facilities obtained by Public Non-Financial Corporations and Public Financial Corporations from the commercial banking sector.

Valuation of borrowings

Borrowings are recognised at either historical capital cost (i.e. historical cost adjusted for amortisation of discount and premium) or at historical cost.

Reporting within sectors reflects different accounting policies with respect to the valuation of borrowings. The General Government Sector values its borrowing portfolio at historical capital cost.

The Public Non-Financial Corporations Sector generally values its borrowings at historical cost. The majority of the Public Financial Corporations Sector values its borrowings at face value adjusted for unamortised discounts or premiums and unrealised exchange gains or losses.

Employee entitlements

The Statement of Financial Position reports provisions for entitlements not taken at the reporting date in respect of wages and salaries, annual leave and long service leave. The amounts are accrued at the current wage rates except for long service leave, which is measured at the present value of the estimated future cash outflows arising from employees service to date.

Superannuation

An unfunded superannuation liability is recognised in respect of the State's defined benefit schemes. To ensure compliance with AAS 30 *Accounting for Employee Entitlements*, this liability is measured as the difference between the actuarial calculation of the present value of forecast employees accrued benefits at balance date and the estimated net market value of the superannuation schemes assets at that date. The present value of accrued benefits takes into consideration the expected future wage and salary levels, expected future investment earning rates, the estimated growth rate in the Consumer Price Index and estimated periods of service. Further detail on the superannuation liability is provided in Note 23.

Other liabilities

Generally, other liabilities are recognised at the estimated amounts payable. However, a significant proportion of other liabilities relates to outstanding motor accident and workers' compensation claims - claims reported but not yet paid, claims incurred but not reported and the anticipated direct and indirect costs of settling those claims.

The liability for outstanding claims is based on an actuarial valuation, measured as the present value of the expected future payments using statistics based on past experience and trends.

K. Commitments

Commitments include those operating and capital commitments arising from non-cancellable contractual or statutory sources.

L. Contingent liabilities

Contingent liabilities arise from guarantees and any other forms of support provided by the State. Contingent liabilities also arise from legal disputes and other claims against the State.

Details of quantifiable and non-quantifiable contingent liabilities are contained in Note 26.

M. Foreign currency balances/transactions

Foreign currency transactions (including hedging arrangements) are translated to Australian currency at the rate of exchange prevailing at the dates of the transactions. All exchange gains and losses are brought to account in the Statement of Financial Performance in the same period as the exchange differences on the items covered by the hedge transactions arise.

Foreign currency receivables and payables at balance date are translated at exchange rates at balance date.

N. Derivative financial instruments

Risk management

Certain of the State's controlled entities, particularly those within the Public Financial Corporations Sector, enter into derivative financial instruments to manage the financial risks inherent in the State's financial asset and liability management activities. Those entities principally use interest rate swaps, forward rate agreements, interest rate options and exchange traded futures contracts to manage the risks relating to the State's interest rate exposures.

In accordance with Urgent Issues Group pronouncement UIG Abstract 29 – *Early Termination of Interest Rate Swaps*, Hydro Tasmania amortises the realised gains and losses on interest rate swaps over the life of the underlying physical loan. Where the loan is terminated prior to maturity, any unamortised gains or losses are transferred to the Statement of Financial Position.

Currency swaps and foreign currency forward contracts are also entered into by certain entities controlled by the State to manage the currency risks relating to offshore funding and investment programs and to ensure that there is no material residual currency exposure.

Recognition of gains and losses

Gains and losses on derivatives used as hedges are accounted for on the same basis as the underlying physical exposures they are hedging.

O. Rounding

All amounts in the financial statements have been rounded to the nearest million dollars unless otherwise stated. As a consequence, rounded figures may not add to totals.

P. Comparative information

Where significant changes have occurred in presentation during the year, the previous year's comparatives have been adjusted to reflect the changes.

Note 2 Disaggregated information

Disaggregated Statement of Financial Performance for the year ended 30 June 2003

	General Government	Public Non- Financial Corporations	Public Financial Corporations	Inter-Sector Eliminations	Consolidated
	\$m	\$m	\$m	\$m	\$m
Revenues					
Taxation	638	....	....	(95)	543
Fines and regulatory fees	58	....	....	....	58
Investment income	127	6	408	(292)	249
Grants	1 849	52	....	(45)	1 856
Sales of goods and services	228	1 050	96	(47)	1 327
Proceeds from disposal of non-current assets	67	75	....	....	142
Fair value of assets received free of charge or for nominal consideration	....	....	....	....	....
Other revenues	262	21	15	(145)	153
Total revenues	3 229	1 204	519	(624)	4 333
Expenses					
Employee entitlements	1 138	226	3	....	1 368
Superannuation	327	34	1	....	361
Depreciation	162	186	1	....	349
Interest and other financing costs	79	135	371	(202)	382
Grants and transfer payments	489	....	3	(51)	441
Supplies and consumables	657	299	2	(23)	935
Cost of sale of goods	....	29	....	....	29
Write down on disposal of non-current assets	92	81	....	....	173
Other expenses	123	63	111	(31)	268
Total expenses	3 068	1 053	492	(307)	4 306
Operating Surplus before Extraordinary Items, Income Tax Equivalents and Dividends	162	151	27	(317)	22
Income tax equivalent	....	(74)	3	71	....
Dividends	....	....	(6)	6	....
OPERATING SURPLUS/(DEFICIT) AFTER EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENTS AND DIVIDENDS	162	77	24	(240)	22

Note 2 – Disaggregated information (continued)**Disaggregated Statement of Financial Performance for the year ended 30 June 2002**

	General Government	Public Non- Financial Corporations	Public Financial Corporations	Inter-Sector Eliminations	Consolidated
	\$m	\$m	\$m	\$m	\$m
Revenues					
Taxation	556	....	....	(59)	497
Fines and regulatory fees	53	....	....	....	53
Investment income	112	5	403	(266)	254
Grants	1 783	54	....	(49)	1 788
Sales of goods and services	224	970	107	(32)	1 269
Proceeds from disposal of non-current assets	49	16	....	....	65
Fair value of assets received free of charge or for nominal consideration	3	....	....	....	3
Other revenues	255	14	2	(79)	191
Total revenues	3 035	1 059	511	(485)	4 120
Expenses					
Employee entitlements	1 081	193	3	(9)	1 269
Superannuation	259	32	....	(1)	290
Depreciation	151	177	1	....	329
Interest and other financing costs	81	116	370	(188)	379
Grants and transfer payments	514	10	2	(48)	479
Supplies and consumables	598	247	18	(26)	837
Cost of sale of goods	34	38	....	....	73
Write down on disposal of non-current assets	86	17	....	....	102
Other expenses	91	90	109	(4)	286
Total expenses	2 896	920	503	(275)	4 044
Operating Surplus before Extraordinary Items, Income Tax Equivalents and Dividends	140	138	8	(210)	76
Income tax equivalent	....	(36)	(8)	44	....
Dividends	....	(84)	(5)	89	....
OPERATING SURPLUS/(DEFICIT) AFTER EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENTS AND DIVIDENDS	140	19	(5)	(77)	76

Note 2 – Disaggregated information (continued)

Disaggregated Statement of Financial Position for the year ended 30 June 2003

	General Government	Public Non- Financial Corporations	Public Financial Corporations	Inter-Sector Eliminations	Consolidated
	\$m	\$m	\$m	\$m	\$m
Assets					
Current assets					
Cash	441	58	3	(429)	73
Investments	38	86	931	(659)	396
Receivables	259	152	1	(160)	251
Prepayments	5	5	....	(1)	10
Accrued revenue	2	5	....	....	7
Tax assets	23	11	....	(10)	24
Other current assets	10	40	72	....	122
Total current assets	778	357	1 007	(1 259)	883
Non-current assets					
Investments	1 140	46	4 341	(3 097)	2 428
Receivables	22	1	1	(7)	17
Land, buildings and forest estate	2 910	818	50	....	3 778
Plant and equipment	195	518	2	....	714
Infrastructure	2 809	4 757	....	....	7 567
Tax assets	....	106	17	(124)	....
Other non-current assets	....	4	33	....	36
Total non-current assets	7 076	6 250	4 444	(3 228)	14 540
TOTAL ASSETS	7 854	6 607	5 451	(4 487)	15 423
Liabilities					
Current liabilities					
Payables	61	76	2	(28)	112
Borrowings	244	367	2 392	(1 241)	1 761
Employee entitlements	160	53	1	....	214
Superannuation	130	51	....	....	181
Accrued expenses	38	77	70	(33)	153
Tax liabilities	....	58	1	(43)	16
Other current liabilities	51	33	140	(7)	217
Total current liabilities	684	715	2 606	(1 352)	2 654
Non-current liabilities					
Payables	....	87	....	....	87
Borrowings	819	1 366	2 315	(1 895)	2 605
Employee entitlements	205	14	....	....	219
Superannuation	1 878	262	1	....	2 141
Tax liabilities	....	196	....	(196)	....
Other non-current liabilities	28	18	442	....	488
Total non-current liabilities	2 930	1 943	2 758	(2 091)	5 540
TOTAL LIABILITIES	3 614	2 658	5 364	(3 443)	8 194
NET ASSETS	4 240	3 949	87	(1 044)	7 229

Note 2 – Disaggregated information (continued)**Disaggregated Statement of Financial Position for the year ended 30 June 2002**

	General Government	Public Non- Financial Corporations	Public Financial Corporations	Inter-Sector Eliminations	Consolidated
	\$m	\$m	\$m	\$m	\$m
Assets					
Current assets					
Cash	966	53	2	(994)	27
Investments	55	91	2 224	(1 508)	862
Receivables	280	119	7	(201)	205
Prepayments	4	7	....	(2)	9
Accrued revenue	2	32	....	(1)	33
Tax assets	8	14	....	(10)	12
Other current assets	10	45	106	(65)	96
Total current assets	1 325	359	2 339	(2 781)	1 244
Non-current assets					
Investments	1 000	27	3 470	(2 832)	1 663
Receivables	1	....	27	(2)	26
Land, buildings and forest estate	2 785	841	50	....	3 677
Plant and equipment	200	490	2	....	691
Infrastructure	2 696	4 667	....	....	7 364
Tax assets	....	102	14	(116)	....
Other non-current assets	9	3	46	....	58
Total non-current assets	6 691	6 131	3 607	(2 950)	13 479
TOTAL ASSETS	8 016	6 490	5 947	(5 731)	14 723
Liabilities					
Current liabilities					
Payables	36	69	2	2	110
Borrowings	847	345	2 776	(2 298)	1 669
Employee entitlements	144	47	1	....	192
Superannuation	119	44	....	....	163
Accrued expenses	45	82	75	(51)	152
Tax liabilities	1	13	3	(13)	4
Other current liabilities	5	118	140	(96)	167
Total current liabilities	1 198	718	2 997	(2 456)	2 457
Non-current liabilities					
Payables	....	....	26	....	26
Borrowings	1 011	1 484	2 397	(2 170)	2 722
Employee entitlements	190	11	....	....	201
Superannuation	1 687	258	1	....	1 946
Tax liabilities	....	210	2	(212)	....
Other non-current liabilities	....	16	431	....	447
Total non-current liabilities	2 888	1 979	2 856	(2 382)	5 341
TOTAL LIABILITIES	4 086	2 697	5 853	(4 838)	7 798
NET ASSETS	3 930	3 793	93	(893)	6 925

Note 3 Taxation revenue

	2002-03	2001-02
	\$m	\$m
Payroll tax	146	140
Financial transaction taxes	142	136
Gambling taxes	73	67
Land tax	25	26
Motor vehicle tax and fees	99	97
Fire Service levies	35	30
Other taxation receipts	24	....
TOTAL	543	497

Note 4 Investment income

	2002-03	2001-02
	\$m	\$m
Interest	238	243
Dividends	11	5
Other	....	6
TOTAL	249	254

Note 5 Grants revenue

	2002-03	2001-02
	\$m	\$m
Commonwealth General Purpose grants	1 390	1 330
Commonwealth Specific Purpose grants	421	415
Commonwealth Capital grants	35	35
Other	10	9
TOTAL	1 856	1 788

Note 6 Sales of goods and services

	2002-03	2001-02
	\$m	\$m
Sales of goods	184	172
Sales of services	1 143	1 097
TOTAL	1 327	1 269

Note 7 Other revenues

	2002-03	2001-02
	\$m	\$m
Forest valuation increment	....	10
Revenue on revaluation of non-current assets	21	62
Gains/losses on financial assets	1	....
Other revenue	131	119
TOTAL	153	191

Note 8 Employee entitlements

	2002-03	2001-02
	\$m	\$m
Salaries and wages	1 336	1 238
Long service leave	27	23
Workers' compensation contributions	2	4
Other	3	4
TOTAL	1 368	1 269

Note 9 Depreciation

	2002-03	2001-02
	\$m	\$m
Depreciation in respect of:		
Buildings	49	52
Plant and equipment	71	58
Infrastructure	219	216
Other	9	3
Amortisation of assets under finance lease	1	....
TOTAL	349	329

Note 10 Interest and other financing costs

	2002-03	2001-02
	\$m	\$m
Interest on borrowings	382	379
TOTAL	382	379

Note 11 Supplies and consumables

	2002-03	2001-02
	\$m	\$m
Advertising and promotion	25	25
Consultants	34	58
Maintenance and property services	177	183
Communications	48	42
Information technology	49	45
Travel and transport	34	31
Medical, surgical and pharmacy supplies	99	91
Other	470	362
TOTAL	935	837

Note 12 Other expenses

	2002-03	2001-02
	\$m	\$m
Asset write downs	20	45
MAIB specific expenses	109	88
Other	139	153
TOTAL	268	286

Note 13 Investments

	2002-03	2001-02
	\$m	\$m
Current investments		
Loan advances	78	66
Short term deposits, bills and other securities	84	579
Unsettled forward transactions	....	4
Equity investments	178	213
Government and institutional securities	56	....
Total current investments	396	862
Non-current investments		
Loan advances	443	246
Short term deposits, bills and other securities	1 904	1 396
Equity investments	81	22
Total non-current investments	2 428	1 663
TOTAL	2 824	2 525

Note 14 Receivables

	2002-03	2001-02
	\$m	\$m
Current receivables		
Trade receivables	281	174
Other	....	62
Less provision for doubtful debts	(30)	(30)
Total current receivables	251	205
Non-current receivables		
Trade receivables	6	25
Other	11	1
Less provision for doubtful debts	....	....
Total non-current receivables	17	26
TOTAL	268	231

Note 15 Other assets

	2002-03	2001-02
	\$m	\$m
Current other assets		
Forest estate inventories	20	25
Other inventories	23	25
Deferred buy back losses	1	1
Swap prepayments	....	3
Accrued interest	72	34
Other	6	8
Total current other assets	122	96
Non-current other assets		
Cross currency swap receivables	16	42
Swap prepayments	15	4
Other	5	12
Total non-current other assets	36	58
TOTAL	158	154

Note 16 Land, buildings and forest estate

	2002-03	2001-02
	\$m	\$m
Land at cost or valuation	771	759
Buildings at cost or valuation	2 979	2 892
Less accumulated depreciation	(686)	(692)
	<u>2 293</u>	<u>2 200</u>
Forest estate at valuation	808	809
Less accumulated depreciation	(94)	(91)
	<u>714</u>	<u>718</u>
TOTAL	<u><u>3 778</u></u>	<u><u>3 677</u></u>

Note 17 Plant and equipment

	2002-03	2001-02
	\$m	\$m
Plant and equipment at cost or valuation	1 023	943
Less accumulated depreciation	(309)	(252)
TOTAL	<u><u>714</u></u>	<u><u>691</u></u>

Note 18 Infrastructure

	2002-03	2001-02
	\$m	\$m
Infrastructure at cost or valuation	12 326	11 990
Less accumulated depreciation	(4 759)	(4 626)
TOTAL	<u><u>7 567</u></u>	<u><u>7 364</u></u>

Note 19 Reconciliation of non-current assets

	Land, Buildings and Forest Estates	Plant and Equipment	Infrastructure	Total
	\$m	\$m	\$m	\$m
Carrying amount at 1 July 2002	3 677	691	7 364	11 732
Add asset purchases	109	195	262	566
Less asset sales	(55)	(44)	(14)	(113)
Add/(Less) asset revaluations	37	....	279	316
Less depreciation expense	(59)	(71)	(219)	(349)
Other movements	15	(57)	(161)	(167)
Work in progress	40	6	31	77
Carrying amount at 30 June 2003	<u>3 778</u>	<u>714</u>	<u>7 567</u>	<u>12 061</u>

Note 20 Payables

	2002-03	2001-02
	\$m	\$m
Trade creditors	98	108
Other	101	28
TOTAL	<u>199</u>	<u>136</u>

Note 21 Borrowings

	2002-03	2001-02
	\$m	\$m
Current borrowings		
Non-Commonwealth	1 717	1 664
Debt due to Commonwealth	42	6
Finance leases	2	....
Total current borrowings	<u>1 761</u>	<u>1 669</u>
Non-current borrowings		
Non-Commonwealth	2 274	2 405
Debt due to Commonwealth	273	316
Finance leases	58	....
Total non-current borrowings	<u>2 605</u>	<u>2 722</u>
TOTAL	<u>4 366</u>	<u>4 391</u>

Note 22 Employee entitlements

	2002-03	2001-02
	\$m	\$m
Current employee entitlements		
Accrued salaries and wages	37	25
Annual leave	101	93
Long service leave	46	45
Workers' compensation	28	29
Other employee entitlements	2	....
Total current employee entitlements	214	192
Non-current employee entitlements		
Annual leave	2	1
Long service leave	182	168
Workers' compensation	34	31
Other employee entitlements	1	....
Total non-current employee entitlements	219	201
TOTAL	433	393

Note 23 Superannuation

The liability for employee superannuation resides in the State's public sector superannuation funds. These funds are not consolidated as they are not "controlled" by the State, however, the major proportion of unfunded superannuation liabilities is the responsibility of the State and is recognised accordingly.

Each year, the State Actuary conducts a valuation of the benefits accrued within contributory funds by members up to the reporting date. Any shortfall between the value of these accrued benefits and the net market value of fund assets determines the value of any unfunded superannuation liability, and is shown as a liability in the Statement of Financial Position.

The funding status of the State's share of defined benefit and defined contribution funds at 30 June 2003, based on actuarial valuations, is summarised as follows:

2002-03

	Retirement Benefits Act 1993	Parliamentary Superannuation Fund	Parliamentary Retiring Benefits Fund	Judges' Contributory Pensions Act 1968	Total
	\$ m	\$ m	\$ m	\$ m	\$ m
Vested benefits	3 765	18	7	21	3 811
Accrued benefits	3 211	18	7	22	3 258
Less net market value of plan Assets	(924)	(5)	(7)	....	(936)
Deficit	2 287	13	....	22	2 322
Classified as:					
Current	176	2	....	3	181
Non-current	2 110	11	....	19	2 141
TOTAL	2 287	13	....	22	2 322

Unfunded superannuation liability is calculated by deducting the net market value of plan assets from the gross accrued benefit liability for each superannuation scheme.

The funding status of the State's share of defined benefit and defined contribution funds at 30 June 2002, based on actuarial valuations, is summarised as follows:

2001-02

	Retirement Benefits Act 1993	Parliamentary Superannuation Fund	Parliamentary Retiring Benefits Fund	Judges' Contributory Pensions Act 1968	Total
	\$ m	\$ m	\$ m	\$ m	\$ m
Vested benefits	3 486	19	7	18	3 530
Accrued benefits	2 977	18	8	21	3 024
Less net market value of plan Assets	903	6	6	....	915
Deficit	2 074	12	2	21	2 109
Classified as:					
Current	156	2	1	4	163
Non-current	1 918	10	1	17	1 946
TOTAL	2 074	12	2	21	2 109

The accrued benefit liability represents the total discounted value of all employees' entitlements as at 30 June 2003. Accrued benefits liability is determined using a discounted cash flow technique similar to that used to calculate past service liability, but the rate of discount is prescribed under the Australian Accounting Standards. The discount factor to be used is the risk free rate of return (the 10 year Commonwealth Government Bond rate), adjusted to allow for risk.

Note 24 Other liabilities

	2002-03	2001-02
	\$m	\$m
Current other liabilities		
Revenue received in advance	19	13
Provision for outstanding and unreported claims in MAIB	87	86
Other	111	67
Total current other liabilities	217	167
Non-current other liabilities		
Provision for outstanding and unreported claims in MAIB	442	404
Cross currency swap payables	7	27
Other	39	16
Total non-current other liabilities	488	447
TOTAL	705	614

Note 25 Commitments

A Commitments for capital expenditure

At 30 June 2003, the State had entered into a number of contracts for capital expenditure. These contractual commitments have not been recognised as liabilities in the Statement of Financial Position.

	2002-03	2001-02
	\$m	\$m
Not later than 1 year	139	141
Later than 1 year and no later than 5 years	131	187
Later than 5 years	3	11
TOTAL	273	339

B Operating lease commitments

At the reporting date, the Government had the following obligations under non-cancellable operating leases:

	2002-03	2001-02
	\$m	\$m
Not later than 1 year	69	57
Later than 1 year and no later than 5 years	158	130
Later than 5 years	180	156
TOTAL	407	343

C Finance lease commitments

At the reporting date, the Government had the following obligations under finance leases:

	2002-03	2001-02
	\$m	\$m
Not later than 1 year	3	2
Later than 1 year and no later than 5 years	....	3
Later than 5 years	....	....
Minimum lease payments	....	5
Less future finance charges	....	....
TOTAL	3	5

D Other commitments

At the reporting date, the Government had the following obligations under arrangements other than finance and operating leases and capital commitments:

	2002-03	2001-02
	\$m	\$m
Not later than 1 year	84	110
Later than 1 year and no later than 5 years	178	231
Later than 5 years	53	108
TOTAL	315	449

Note 26 Contingent liabilities

Contingent liabilities represent items that, at 30 June 2003, are not recognised in the Statement of Financial Position because there is significant uncertainty at that date as to the necessity for the entity to receive or make payments in respect of them. Following are details of the more significant of these contingent liabilities. Reference should be made to individual entity financial statements for additional information.

The quantifiable estimates, when presented, require careful interpretation. They represent the maximum potential exposure of the quantifiable contingent liabilities of the State, without any explicit assessment of the likelihood of any contingent liabilities being converted to actual liabilities in the future.

Contingent liabilities - quantifiable

2002-03

	General Government Entities	Public Non- Financial Corporations	Public Financial Corporations	Total
	\$m	\$m	\$m	\$m
Guarantees	2	....	2
Claims relating to insurance (excluding claims by employees for personal injuries)
Deferred start swaps:				
Receive fixed	15	15
Pay fixed	259	259
Total contingent liabilities - quantifiable	2	274	276

	General Government Entities	Public Non- Financial Corporations	Public Financial Corporations	Total
	\$m	\$m	\$m	\$m
Guarantees	1	2	....	3
Claims relating to insurance (excluding claims by employees for personal injuries)	....	2	....	2
Deferred start swaps:				
Receive fixed	....	....	57	57
Pay fixed	....	....	115	115
Total contingent liabilities - quantifiable	1	4	172	177

Contingent liabilities - not quantifiable

Legal proceedings and disputes

A number of legal actions have been brought against the State and its agencies. Notification has also been received of a number of other cases that are not yet subject to Court action but which may result in subsequent litigation. The legal actions include:

- Claims against the Department of Health and Human Services relating to:
 - Public liability claims by former patients; and
 - Hepatitis C claims.
- Claims against the Department of Infrastructure, Energy and Resources relating to:
 - Acquisitions for current road projects;
 - Limited access compensation; and
 - Personal injury or damage caused to property (including vehicles) allegedly due to road works or road condition.
- An action by the Burnie Port Corporation Pty Ltd to resolve a contractual dispute concerning the rental of the P6 Post Panamax crane used in the Port's operations.
- Claims against the former Department of State Development relating to:
 - Litigation with K M Booth and K D Conochie in a claim for negligent advice; and
 - Litigation with Mack Investments Pty Ltd (Argo Pty Ltd), George Peter Wright, Natureland of Tasmania Pty Ltd and Michael Winston Tatlow in an action alleging loss of proceeds of sale and damages.

- Claims against the Port Arthur Historic Site Management Authority relating to the tragedy of April 1996.
- Hydro Tasmania is defending Supreme Court proceedings in relation to trade practices claims relating to false and misleading tender information.
- Private Forests Tasmania is a defendant in a legal action involving the approval of a private timber reserve. An unfavourable decision on this legal action was handed down by the Court subsequent to 30 June 2003. Legal counsel have advised that orders may be sought against the Authority for legal costs.
- Claims against Aurora Energy Pty Ltd relating to property loss, personal injury and contractual matters.

Due to the wide variety and the nature of the claims and the uncertainty of any potential liability, no value has been attributed to the claims in the financial statements.

As partner in the GFMO joint venture, Forestry Tasmania is party to an agreement with the manager of the joint venture whereby the manager may be paid a Long Term Incentive Fee (the fee). At the time of signing of the joint venture statutory accounts, Forestry Tasmania's Directors were unable to quantify all of the variables involved in the fee calculation and therefore unable to quantify the amount of any fee payable.

Note 27 Compliance with Appropriation

In conformity with Australian Accounting Standard AAS 29 *Financial Reporting by Government Departments*, General Government Sector entities have included details of compliance with Parliamentary appropriations in their financial statements for the period.

Information about compliance with such appropriations can be obtained from entity financial statements and from the *Treasurer's Financial Statements* for the year ended 30 June 2003.

Note 28 Additional financial instruments disclosure

Interest rate risk

Several entities utilise derivative financial arrangements to manage financial risks inherent in their management activities. These instruments include swaps, forward interest rate agreements and other hedging instruments to manage fluctuations in interest or exchange rates.

The State's exposure as at 30 June 2003 and 30 June 2002 to interest rate risk and the effective interest rates of financial assets and financial liabilities is shown in the following tables:

2002-03

	Weighted Average Effective Interest Rate	Fixed Interest Maturing In:					Non- Interest Bearing	Total
		Floating Interest Rate	1 Year or Less	Over 1 Year to 5 Years	More than 5 Years			
		\$m	\$m	\$m	\$m	\$m		
Financial Assets								
Cash	N/A	64	7	....	....	2	73
Investments	4.98	1 402	785	391	218	28	2 824	
Receivables	N/A	17	3	....	1	247	268
Cross currency swap receivables	(4.84)	295	....	(178)	(100)	....	16
		<u>1 778</u>	<u>795</u>	<u>213</u>	<u>119</u>	<u>277</u>	<u>3 181</u>	
Financial Liabilities								
Payables	N/A	3	....	....	....	196	199
Borrowings	5.70	1 084	555	2 027	198	502	4 366	
Finance leases	6.34	3	....	....	....	....	3
Cross currency swap payables	6.45	279	....	....	(136)	(136)	7
		<u>1 369</u>	<u>555</u>	<u>2 027</u>	<u>62</u>	<u>562</u>	<u>4 575</u>	

2001-02

	Weighted Average Effective Interest Rate	Fixed Interest Maturing In:					Non- Interest Bearing	Total
		Floating Interest Rate	1 Year or Less	Over 1 Year to 5 Years	More than 5 Years			
		\$m	\$m	\$m	\$m	\$m		
Financial Assets								
Cash	N/A	20	2	....	....	5	27
Investments	5.20	1 040	619	277	290	299	2 525	
Receivables	N/A	....	....	....	....	231	231
Cross currency swap receivables	(4.84)	(291)	37	296	....	....	42
		<u>769</u>	<u>658</u>	<u>573</u>	<u>290</u>	<u>535</u>	<u>2 827</u>	
Financial Liabilities								
Payables	N/A	....	....	....	....	136	136
Borrowings	5.76	1 251	524	2 129	487	....	4 391
Basslink facility fee instrument	7.9	511	....	....	(511)	....	....
Cross currency swap payables	6.45	(192)	....	92	126	....	26
		<u>1 570</u>	<u>524</u>	<u>2 221</u>	<u>102</u>	<u>136</u>	<u>4 553</u>	

Foreign exchange risk

To effectively manage the exposure of foreign currency borrowings and offshore investments to fluctuation in exchange rates, both cross currency swaps and forward foreign exchange contracts are

used. Offshore borrowings are required to provide access to additional sources of funding and to diversify risk exposure.

The following table summarises the effect of cross currency swaps at balance date:

	Borrowings	Investments	Swaps	Net exposure
	\$m	\$m	\$m	\$m
2002-03				
Japanese Yen	268	24	(244)	....
US Dollars	....	207	207	....
German Deutschmarks	....	43	43	....
TOTAL	268	274	6	....
2001-02				
Japanese Yen	333	....	(333)	....
US Dollars	....	247	247	....
German Deutschmarks	....	44	44	....
TOTAL	333	291	(42)	....

Liquidity risk

Liquidity risk arises from the possibility that the individual entities may be unable to settle a transaction on the due date. The Government's central borrowing authority, the Tasmanian Public Finance Corporation, has a US\$45 million standby facility and intra-day standby lines of A\$80 million to cover this possibility.

Credit risk

Financial instruments - on balance sheet

The credit risk on recognised financial assets, excluding investments, is the carrying amount of these assets in the Consolidated Statement of Financial Position. The market value at balance dates is the credit exposure to investments.

Financial instruments - off balance sheet

The credit exposure for derivative contracts entered into by the Government's central borrowing authority, the Tasmanian Public Finance Corporation, is calculated after taking into account the current market value, duration, time to maturity and interest rate and/or exchange rate volatility.

Credit exposure related to derivative financial instruments is:

Type of instrument	2002-03 Exposure	2001-02 Exposure
	\$m	\$m
Interest rate swaps	75	56
Basslink facility fee instrument	6	7
Foreign exchange contracts	89	135
TOTAL	170	198

Net fair value

The carrying amounts and estimated fair values of recognised financial instruments held at 30 June 2003 and 30 June 2002 are as follows:

2002-03

	2002-03 Net fair value	2002-03 Carrying value
	\$m	\$m
Financial assets		
Cash	73	73
Investments	2 824	2 902
Receivables	268	268
TOTAL	3 165	3 243
Financial liabilities		
Payables	199	199
Borrowings	4 366	4 476
Finance leases	3	3
TOTAL	4 568	4 678
Financial instruments		
Interest rate swaps	(15)	....
Foreign exchange	2	2
Cross currency swaps	(2)	....
TOTAL	(15)	2

2001-02

	2001-02 Net fair value	2001-02 Carrying value
	\$m	\$m
Financial assets		
Cash	27	27
Investments	2 525	2 374
Receivables	231	232
TOTAL	<u>2 783</u>	<u>2 633</u>
Financial liabilities		
Payables	136	136
Borrowings	4 391	4 386
Finance leases	5	5
TOTAL	<u>4 532</u>	<u>4 527</u>
Financial instruments		
Unfavourable interest rate swaps	(98)	....
Favourable interest rate swaps	15	....
TOTAL	<u>(83)</u>	<u>....</u>

Note 29 Reconciliation of Net Cash Flows from Operating Activities to Operating Surplus

	2002-03	2001-02
	\$m	\$m
Operating Surplus	22	76
Non-cash movements		
Depreciation and amortisation	350	329
Gross proceeds from sale of fixed assets	(142)	(65)
Written down value of assets sold	174	102
Increase/(decrease) in payables	59	32
Increase/(decrease) in employee entitlements	40	10
Increase/(decrease) in superannuation	213	123
Increase/(decrease) in accrued expenses	38	24
Increase/(decrease) in other liabilities	91	12
(Increase)/decrease in receivables	(37)	(31)
(Increase)/decrease in prepayments	(1)	10
(Increase)/decrease in accrued revenue	26	(30)
(Increase)/decrease in other assets	(4)	51
(Increase)/decrease in tax assets	(12)	(2)
Adjustment for other non-cash items	(50)	54
Net Cash from Operating Activities (including financial institutions)	767	695
Less Financial Institutions Net Cash from Operating Activities	(78)	(117)
Net Cash from Operating Activities	834	812

Note 30 Statement of Net Cash Flows from Financial Institutions

	2002-03	2001-02
	\$m	\$m
	Inflows (Outflows)	Inflows (Outflows)
Cash Flow from Operating Activities		
Receipts		
Interest received	313	349
Other receipts	1	1
Payments		
Employee entitlements	(2)	(2)
Interest paid	(390)	(462)
Other payments	(2)	(3)
Net Cash used in Operating Activities	(78)	(117)
Cash Flows from Investing Activities		
Net purchase of investments	(354)	(220)
Net Cash used in Investing Activities	(354)	(220)
Cash Flows from Financing Activities		
Net increase/(decrease in deposits)	....	39
Net borrowings	(37)	141
Net Cash used in Financing Activities	(37)	180
NET CASH FLOWS FROM FINANCIAL INSTITUTIONS	(469)	(157)

Note 31 Closing cash and cash equivalents

	2002-03	2001-02
	\$m	\$m
DEPOSITS AT CALL		
Financial institutions	....	....
Other entities	73	27
CASH AND CASH EQUIVALENTS HELD AT 30 JUNE	73	27

Note 32 Reconciliation of changes in equity

	Total	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves
	\$m	\$m	\$m	\$m
Balance at 1 July 2002	6 925	2 952	2 883	1 090
Operating surplus / (deficit)	22	22	....	....
Transfers to reserves	....	(5)	....	5
Transfers from reserves	....	....	....	....
Revaluation increments	435	....	442	....
Revaluation decrements	(152)	....	(159)	....
Other movements	(54)	....	....	....
Balance at 30 June 2003	7 229	2 969	3 165	1 095

Note 33 Asset revaluation reserve

	Opening Balance	Revaluation Increments	Revaluation Decrements	Closing Balance
	\$m	\$m	\$m	\$m
Land, buildings and forest estates	623	78	(5)	695
Plant and equipment	16	....	(5)	11
Infrastructure	2 234	356	(149)	2 441
Other	10	8	....	18
TOTAL	2 883	442	(159)	3 165

Note 34 Details of controlled entities

The following controlled entities of the State are included in the Consolidated Financial Statements for the year ended 30 June 2003:

General Government entities

Department of Economic Development
Department of Education
Department of Health and Human Services
Department of Infrastructure, Energy and Resources
Department of Justice and Industrial Relations
Department of Police and Public Safety
Department of Premier and Cabinet
Department of Primary Industries, Water and Environment
Department of Treasury and Finance
House of Assembly
Inland Fisheries Service
Legislative Council

General Government entities (continued)

Legislature-General
Abt Railway Ministerial Corporation
Marine and Safety Tasmania
Office of the Governor
Royal Tasmanian Botanical Gardens
State Fire Commission
TAFE Tasmania
Tasmanian Audit Office
The Nominal Insurer

Public Non-Financial Corporations

Aurora Energy Pty Ltd
Burnie Port Corporation Pty Ltd
Civil Construction Services Corporation
Egg Marketing Board
Forestry Tasmania
Hobart Ports Corporation Pty Ltd
Hydro Tasmania
Metro Tasmania Pty Ltd
Port Arthur Historic Site Management Authority
Port of Devonport Corporation Pty Ltd
Port of Launceston Pty Ltd
Printing Authority of Tasmania
Private Forests Tasmania
Rivers and Waters Supply Commission
Southern Regional Cemetery Trust
Stanley Cool Stores Board
Tasmanian Grain Elevators Board
Tasmanian International Velodrome Management Authority
The Public Trustee
Tote Tasmania Pty Ltd
Transend Networks Pty Ltd
TT-Line Company Pty Ltd

Public Financial Corporations

Motor Accidents Insurance Board (MAIB)
Tasmanian Public Finance Corporation

Entities not consolidated

Certain entities that administer superannuation and like funds and/or hold private funds of a trust or fidelity nature, have not been included in this financial report because the assets are not available for the benefit of the State. The University of Tasmania, certain professional, occupational and marketing boards and Local Government authorities have not been included in this financial report because they are not controlled.

Other Government bodies that are controlled but are not considered material, for whole-of-government purposes, are also excluded from this financial report.