



Consolidated Financial Statements

for the

State of Tasmania

1999-00

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Consolidated Financial Statements

Summary for 1999-00

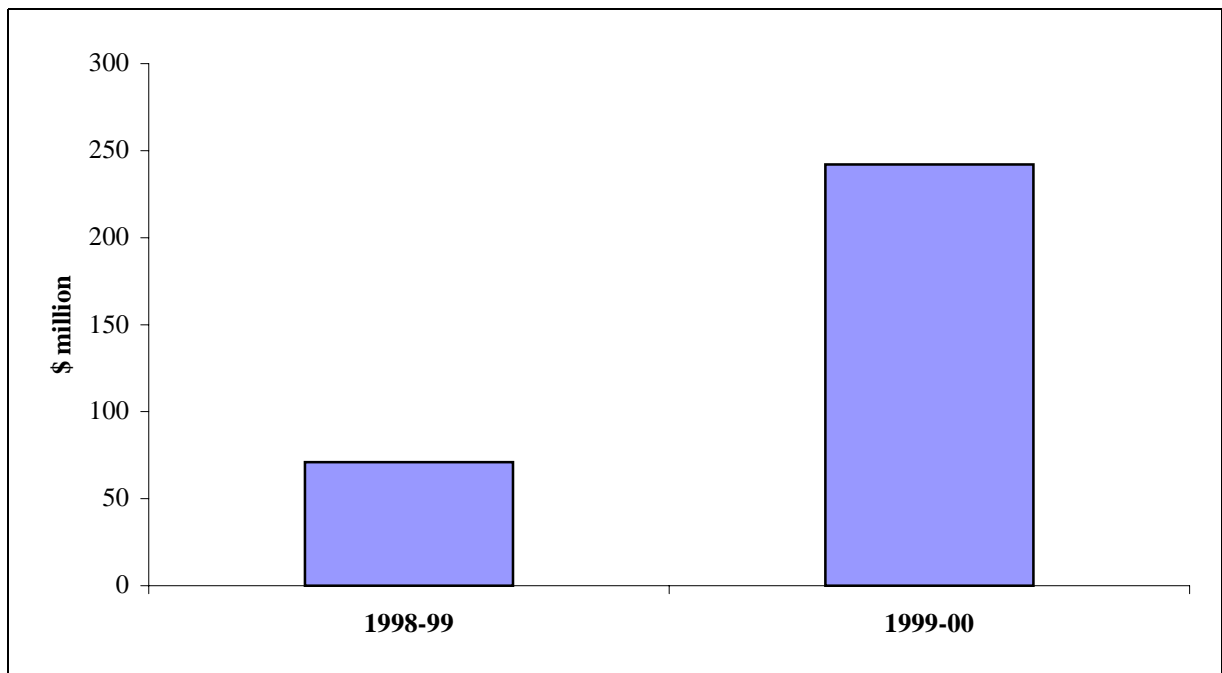
- The net worth of the Tasmanian public sector as at 30 June 2000 was \$6 251 million, comprising assets of \$13 950 million and liabilities of \$7 699 million.
- The consolidated operating surplus before abnormal and extraordinary items was \$242 million.
- Cash and investments totalled \$2 479 million as at 30 June 2000, representing 17.8 per cent of total assets held.
- Physical assets totalled \$11 156 million as at 30 June 2000, representing 80.0 per cent of total assets held.

Overview of the Year's Operations

Operating Result

The operating surplus, before abnormal and extraordinary items, for the year ended 30 June 2000 was \$242 million, an increase of \$171 million over the previous year.

Figure 1: Consolidated Operating Result before Abnormal and Extraordinary Items



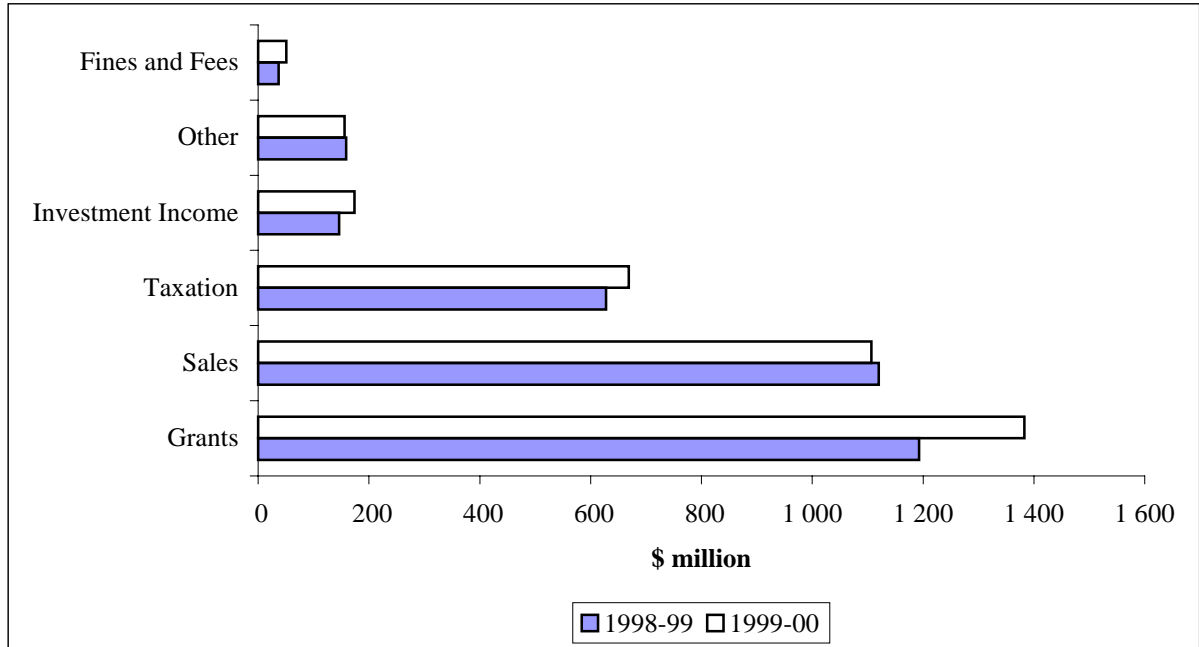
Abnormal items amounted to \$21 million in revenue terms and extraordinary expenses of \$2 million. The operating result, after adjusting for these items, is a surplus for the State of \$261 million for the year, an increase of \$243 million over the previous year.

Revenues

Total revenues for the year ended 30 June 2000 were \$3 540 million, an increase of \$257 million, or 7.8 per cent, over the previous year. Increased revenue arose from increases in taxation (\$41 million), fines and regulatory fees (\$14 million), and grants (\$172 million).

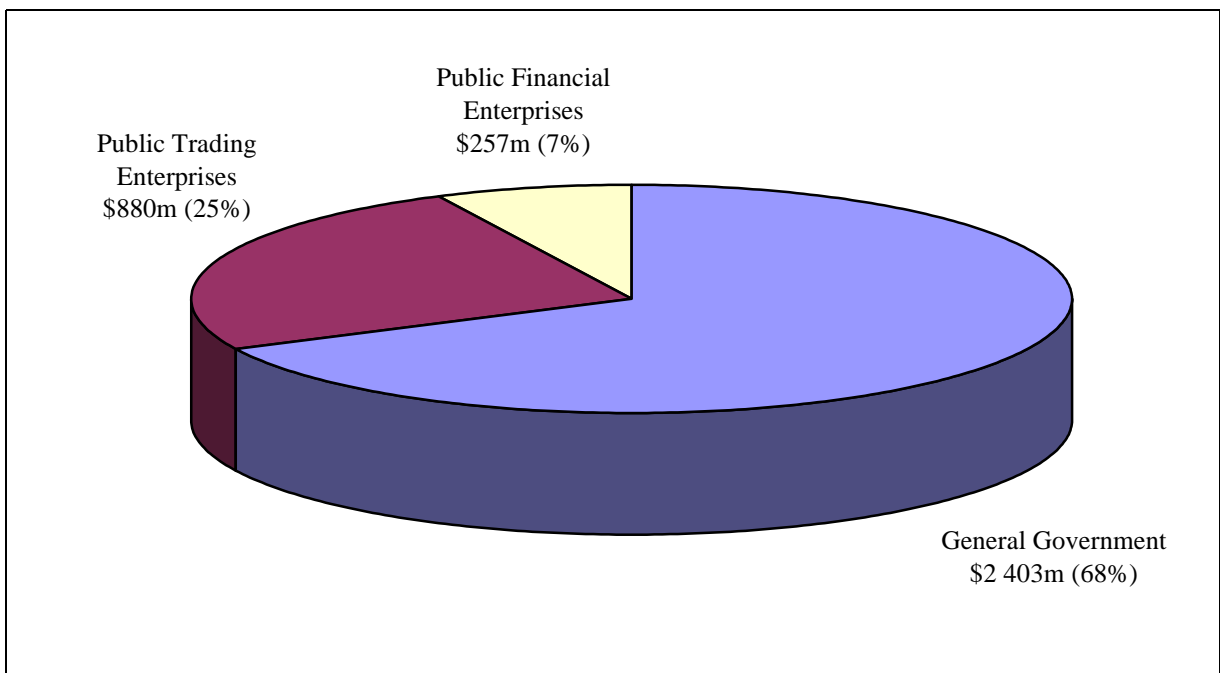
Total revenues by category for 1998–99 and 1999–00 are shown in figure 2.

Figure 2: Total Revenues by Category



Total revenues by sector, after adjusting for inter-sector eliminations, are shown in figure 3.

Figure 3: Total Revenues by Sector

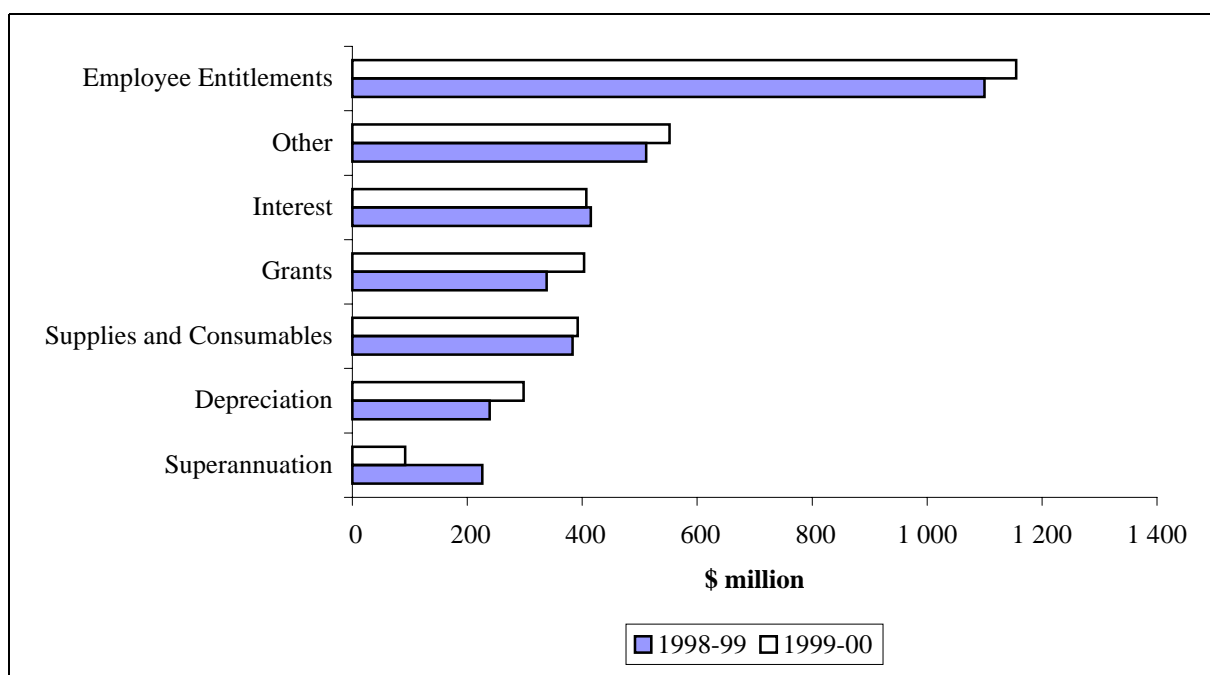


Expenses

Total expenses for the year ended 30 June 2000 were \$3 298 million, an increase of \$86 million, or 2.7 per cent over the previous year. Higher expenses were incurred in all categories except interest and superannuation.

Expenses by category for 1998–99 and 1999–00 are shown in figure 4.

Figure 4: Total Expenses by Category

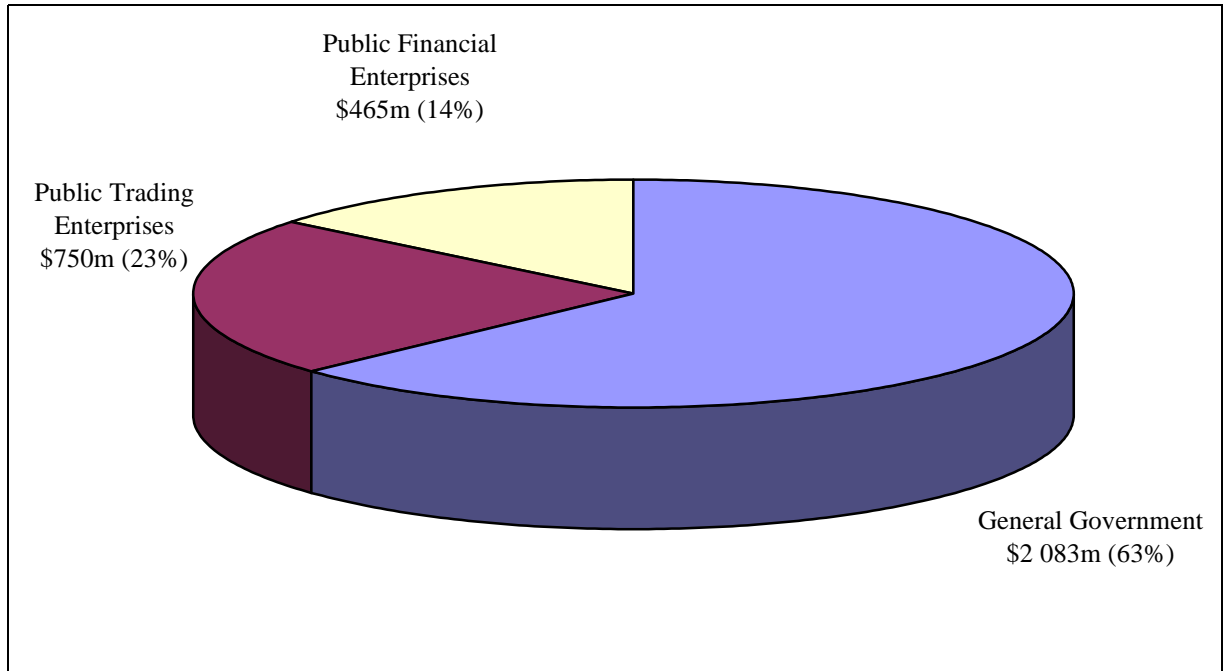


Employee Entitlements

The majority of expenses of the State relate to costs of employment. Employee entitlements primarily consist of salaries and wages and represent 35 per cent of total expenditure. Of the total employee entitlement expense for the State, over half of these costs are incurred by the Department of Education (28 per cent) and the Department of Health and Human Services (31 per cent).

Total expenses by sector, after adjusting for inter-sector eliminations, are shown in figure 5.

Figure 5: Total Expenses by Sector



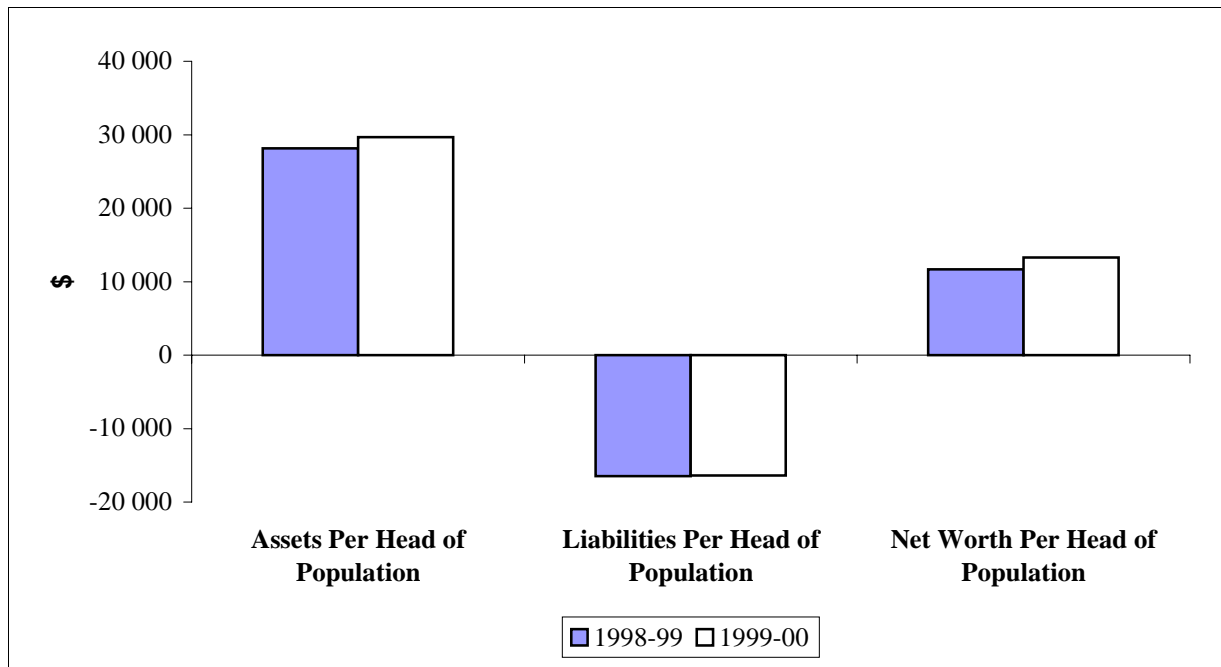
Overview of the State's Financial Position

As at 30 June 2000, total assets of \$13 950 million exceeded total liabilities of \$7 699 million, resulting in net assets of \$6 251 million. This compares with \$5 484 million net assets for the previous year.

Based on an estimated Tasmanian population of 470 376 at 30 June 2000, the net worth per head of population was \$13 289, an increase of 14 per cent over the previous year.

Figure 6 depicts net worth per head of population.

Figure 6: Net Worth Per Head of Population

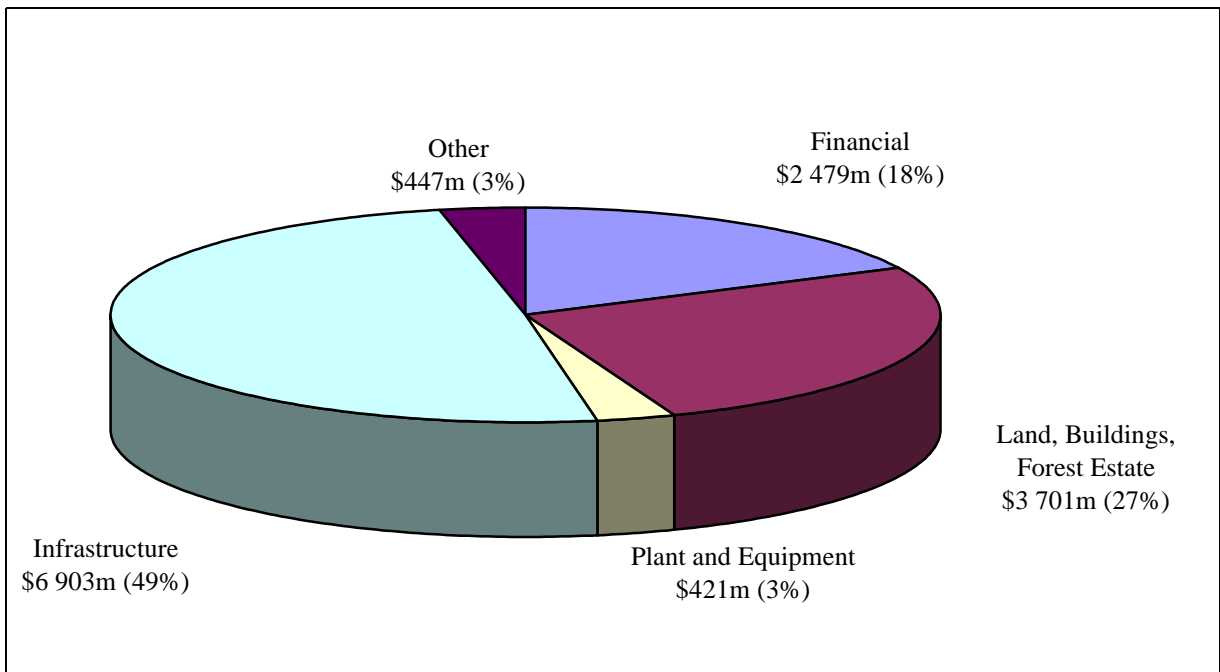


Assets

Total assets amounted to \$13 950 million as at 30 June 2000, an increase of \$721 million, or 5 per cent, from the previous year. Total assets consist of current assets of \$1 405 million and non-current assets of \$12 545 million. The major increases related to investments (\$368 million), land, buildings, forest estate (\$255 million) and infrastructure (\$186 million).

Total assets, by category, are shown in figure 7.

Figure 7: Total Assets by Category

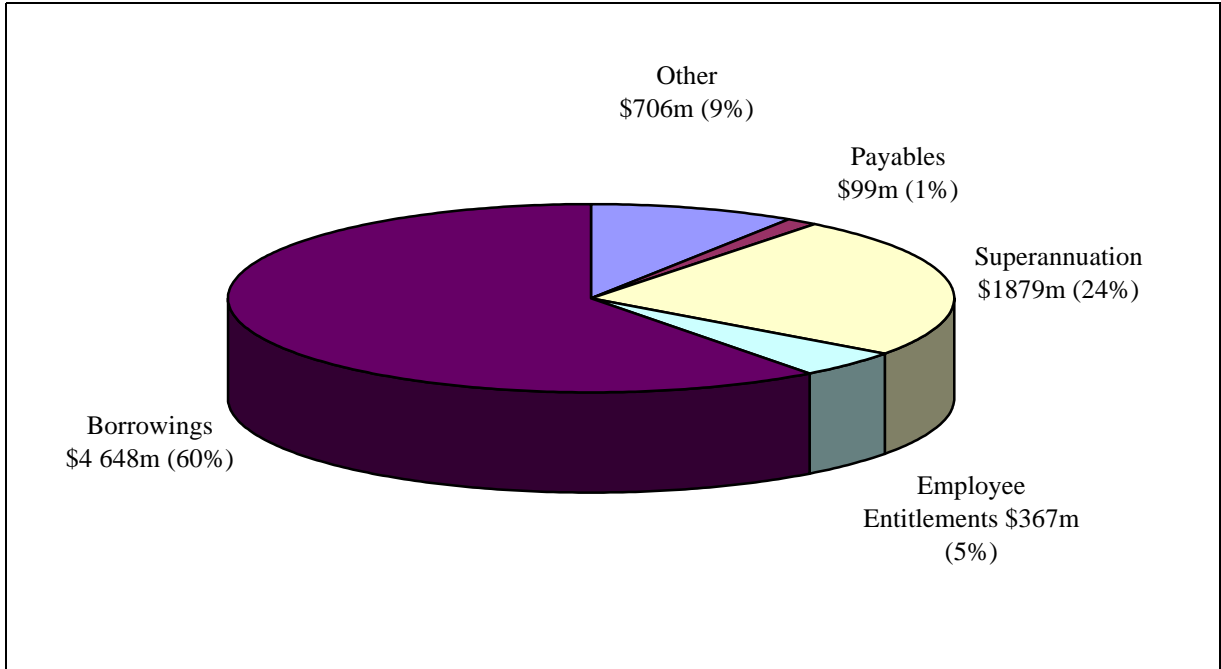


Liabilities

Total liabilities amounted to \$7,699 million as at 30 June 2000, a decrease of \$46 million, or 1 per cent from the previous year. Total liabilities consist of current liabilities of \$2,139 million and non-current liabilities of \$5,560 million.

Total liabilities by category are shown in figure 8.

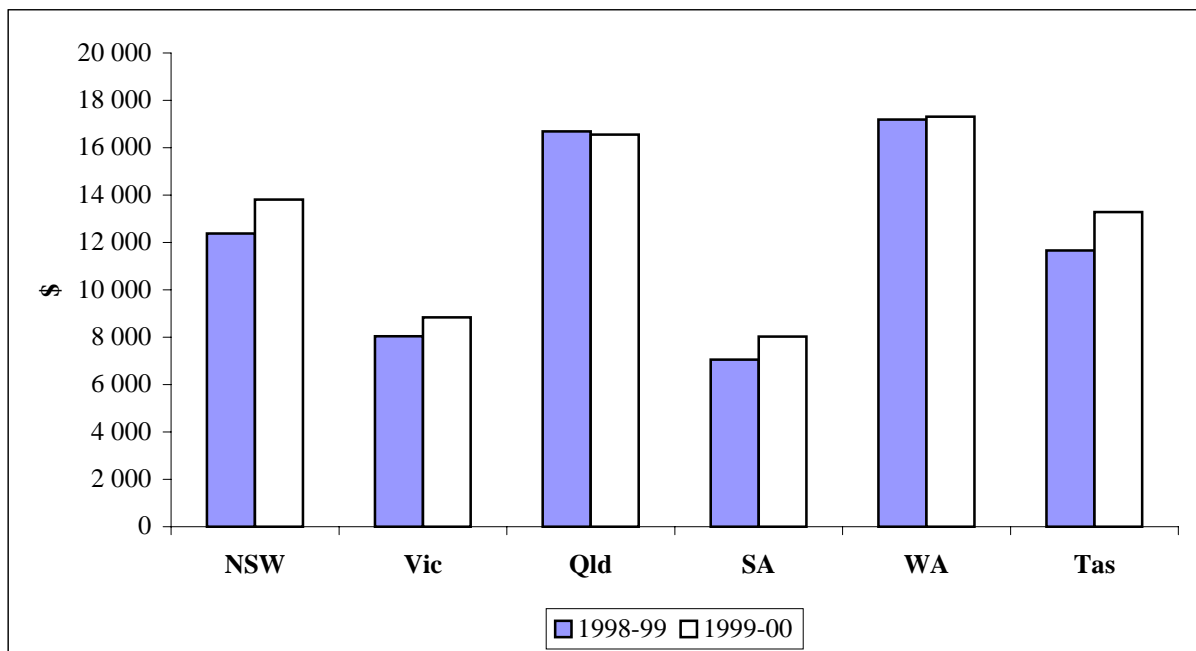
Figure 8: Total Liabilities by Category



Net Worth Per Head of Population

The State Government is in a positive equity position, meaning that the value of assets is greater than the value of liabilities. The net worth per head of population for the Total State Government Sector as at 30 June 2000 was \$13 289. Figure 9 provides a comparison across all States of the net worth per head of population as at 30 June 2000. The chart shows that Tasmania's net worth per head of population is greater than Victoria and South Australia, on a par with New South Wales and below Queensland and Western Australia. The comparison of net worth shows that the State is in a stronger financial position than is suggested by analysis that is restricted to debt information. The net worth also reflects the level of business assets which remain in public ownership.

Figure 9: Interstate Comparison of Total State Government Net Worth per Head of Population as at 30 June 2000



Indicators of Financial Condition

A suite of financial indicators will be used in the annual consolidated financial statements each year to report on the financial condition of Tasmania and its ability to meet current and future demands.

In general terms, the sustainability measures describe the Government's ability to meet and maintain existing programs and operations without increasing its borrowings or the burden on taxpayers. The flexibility measures describe the Government's ability to respond to unexpected events or opportunities and readiness to respond to rising commitments by either expanding its revenues or increasing its debt burden.

Indicators	30 June 2000	30 June 1999
<i>Financial Stability Ratios</i>		
	<i>(per cent)</i>	<i>(per cent)</i>
Total liabilities to total assets (debt ratio)	55.2	58.6
Total borrowings to total assets (gearing ratio)	33.3	35.4
<i>Liquidity Ratios</i>		
	<i>(ratio)</i>	<i>(ratio)</i>
Current assets to current liabilities (current ratio)	0.66	0.64
Quick ratio*	0.59	0.57

*The quick ratio represents cash, current investments and current receivables to current liabilities.

The improvement in the financial stability ratios between 30 June 1999 and 30 June 2000 reflects the decrease in both total liabilities and total borrowings, together with an increase in total assets. Borrowings, a component of total liabilities, reduced due to the retirement of debt using the proceeds of asset sales, and the result of successive Fiscal Strategies which have eliminated Budget deficits. In addition, the unfunded superannuation liability, another component of total liabilities, decreased by \$39 million to \$1 879 million as at 30 June 2000.

The increase in total assets reflects the increase in value of the State's land, buildings, forest estate and infrastructure together with increased cash and investments.

The improvement in the State's liquidity ratios has not been as marked as the improvement in the financial stability ratios. In part, this is due to the increase in current liabilities, reflecting loans due for repayment over the next twelve months. However, liquid current assets in the form of cash and investments have also increased.

These measures will be of increasing significance over time as they track movements in Tasmania's financial performance.

Audited Consolidated

Financial Statements

STATE OF TASMANIA

CONSOLIDATED FINANCIAL STATEMENTS

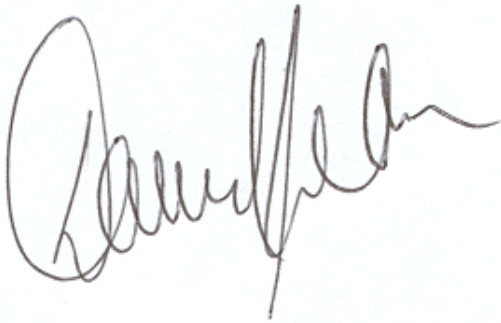
STATEMENT OF CERTIFICATION

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:

- (a) fairly present the operating results and cashflows of the State for the year ended 30 June 2000 and the financial position of the State as at 30 June 2000; and
- (b) have been prepared in accordance with applicable Australian Accounting Standards, in particular AAS31 'Financial Reporting by Governments' and Urgent Issues Group Consensus Views.

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



David Crean
TREASURER



D W Challen
SECRETARY
Department of Treasury and Finance

3 April 2001

INDEPENDENT AUDIT REPORT

To the Treasurer of Tasmania

**STATE OF TASMANIA - CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

Scope

I have audited the State of Tasmania - Consolidated Financial Statements (comprising Operating, Financial Position and Cash Flows Statements and notes thereto) for the year ended 30 June 2000. 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 as to whether the Consolidated Financial Statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the Consolidated Financial Statements are 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 cash flows.

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

Audit Opinion

In my opinion the State of Tasmania - Consolidated Financial Statements present fairly in accordance with Accounting Standards and other mandatory professional reporting requirements, the financial position of the State of Tasmania as at 30 June 2000, and the results of its operations and cash flows for the year then ended.



A J McHugh
AUDITOR-GENERAL

3 April 2001

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STATE OF TASMANIA
CONSOLIDATED OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2000

	<i>Note</i>	<i>2000</i> <i>\$ million</i>	<i>1999</i> <i>\$ million</i>
REVENUES			
Taxation	3	669	628
Fines and Regulatory Fees		51	37
Investment Income	4	174	146
Grants	5	1 383	1 211
Sales of Goods and Services	6	1 107	1 101
Net Revenue from Disposal of Physical Assets	7	(8)	(1)
Fair Value of Assets Received Free of Charge or for Nominal Consideration		14	....
Other	8	150	161
TOTAL REVENUES		3 540	3 283
EXPENSES			
Employee Entitlements	9	1 154	1 100
Superannuation	24	91	226
Depreciation	10	298	239
Interest and Other Finance Costs	11	407	415
Grants and Transfer Payments		403	338
Supplies and Consumables		392	382
Other	12	553	512
TOTAL EXPENSES		3 298	3 212
OPERATING SURPLUS, BEFORE ABNORMAL AND EXTRAORDINARY ITEMS		242	71
Abnormal Items	13	21	(51)
Extraordinary Items	14	(2)	(2)
OPERATING SURPLUS, AFTER ABNORMAL AND EXTRAORDINARY ITEMS		261	18

STATE OF TASMANIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2000

	<i>Note</i>	<i>2000</i> <i>\$ million</i>	<i>1999</i> <i>\$ million</i>
ASSETS			
Current Assets			
Cash	32	45	14
Investments	15	1 045	792
Receivables	16	172	317
Prepayments		5	47
Accrued Revenue		7	14
Other	17	131	63
Total Current Assets		1 405	1 247
Non-Current Assets			
Investments	15	1 389	1 274
Receivables	16	....	23
Land, Buildings, Forest Estate	18	3 701	3 446
Plant and Equipment	19	421	518
Infrastructure	20	6 903	6 717
Other	17	131	4
Total Non-Current Assets		12 545	11 982
TOTAL ASSETS		13 950	13 229
LIABILITIES			
Current Liabilities			
Payables	21	99	265
Borrowings	22	1 377	1 194
Employee Entitlements	23	218	202
Superannuation	24	127	126
Accrued Expenses		153	30
Other	25	165	144
Total Current Liabilities		2 139	1 961
Non-Current Liabilities			
Borrowings	22	3 271	3 495
Employee Entitlements	23	149	145
Superannuation	24	1 752	1 792
Other	25	388	352
Total Non-Current Liabilities		5 560	5 784
TOTAL LIABILITIES		7 699	7 745
NET ASSETS		6 251	5 484

STATE OF TASMANIA

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2000**

	<i>Note</i>	<i>2000</i> <i>\$ million</i> <i>Inflows</i> <i>(Outflows)</i>	<i>1999</i> <i>\$ million</i> <i>Inflows</i> <i>(Outflows)</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Taxation		667	601
Fines and Regulatory Fees		64	61
Interest Received		38	41
Grants		1 383	1 211
Sales of Goods and Services		1 201	1 053
Other Receipts		304	153
Payments			
Employee Entitlements		(1 134)	(1 135)
Superannuation		(130)	(155)
Interest Paid		(54)	(77)
Grants and Transfer Payments		(403)	(339)
Supplies and Consumables		(393)	(408)
Other Payments		(577)	(653)
NET CASH FROM OPERATING ACTIVITIES	30	966	353
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of Land, Buildings and Forest Estate		52	22
Purchase of Land, Buildings and Forest Estate		(44)	(77)
Proceeds from sale Plant and Equipment		35	8
Purchase of Plant and Equipment		(74)	(73)
Proceeds from Infrastructure		6	....
Purchase of Infrastructure		(110)	(122)
Proceeds from Other Assets		2	....
Purchase of Other Assets		(7)	(35)
Net Purchase of Investments		133	(11)
Net Customer Loans Repaid		(31)	9
Other Payments		(156)	....
NET CASH USED IN INVESTING ACTIVITIES		(194)	(279)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(144)	(17)
Net Increase (Decrease) in Deposits		25	....
Finance Lease Principal Repayments		(1)	....
NET CASH USED IN FINANCING ACTIVITIES		(120)	(17)
NET CASH FLOWS USED BY FINANCIAL INSTITUTIONS	31	(293)	(102)
NET INCREASE/(DECREASE) IN CASH HELD		359	(45)
Cash at Beginning of Reporting Period		404	449
CASH HELD AT 30 JUNE 2000	32	763	404

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 AAS31 '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 a 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 "deprival 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 trading enterprises and public financial enterprises.

These entities are generally classified according to the Uniform Presentation Framework and disaggregated information is presented in Note 2. An exception to this classification is the Housing Division of the Department of Health and Human Services which is included in the general government sector, consistent with the State Budget Papers, rather than in the public trading enterprise sector in accordance with the Uniform Presentation Framework.

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 2000, 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 Trading Enterprise Sector*

The primary function of enterprises in the public trading enterprise 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 Enterprise Sector*

The public financial enterprise 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 operating statement 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 26 and 27 respectively.

E. Disaggregated Information

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

- ◆ general government;
- ◆ public trading enterprises; and
- ◆ public financial enterprises.

This information is provided to assist users of these financial statements to determine the effects of the differing activities of the various sectors on the financial position of the State. It will also assist users to identify 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 charged.

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 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 payment 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.

Net Revenue from the Disposal of Physical Assets

Any net surplus or deficit from the disposal of physical assets is recognised at the date of disposal and reflects the net disposal value received after deducting the carrying value of the asset at that time.

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.

In the current year, road infrastructure is depreciated on a straight line basis over its estimated useful life. This is a change in policy from 1998-99 to comply with UIG Abstract 30 "Depreciation of Long-Lived Physical Assets, including Infrastructure Assets: Condition-Based Depreciation and Other Related Methods". For comparative purposes, applying the straight line basis to calculate the depreciation on road infrastructure in 1998-99 would have resulted in a depreciation charge of \$51.5 million compared with the reported amount of \$4.8 million, a

difference of \$46.6 million. For further information on the depreciation of road infrastructure refer to the 1999-00 Annual Report of the Department of Infrastructure, Energy and Resources.

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 1999-00.

<i>Asset Class</i>	<i>Useful Life</i>
Buildings	3 - 120 years
Computer Equipment	3 - 7 years
Motor Vehicles	3 - 6 years
Office Equipment	2 - 15 years
Plant and Equipment	2 - 20 years
Infrastructure Assets other than Roads	20 - 50 years
Road Infrastructure	15 - 100 years

Interest and Other Finance 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

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 taken to the Operating Statement. Any permanent diminution in the market value of an investment is taken to the Operating Statement.

Entities required to report under Australian Accounting Standard AAS26 'Financial Reporting by General Insurance Activities', value their investments at net market value. Any movements in the value of investments between reporting dates are recognised as revenues or expense in the operating statement.

Receivables

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

Loan Advances

Loan advances are recognised net of any provision for non-performing 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 a minimum capitalisation value of \$5 000 are capitalised. The capitalisation value of assets belonging to entities within the public trading enterprise and public financial enterprise sectors varies between \$500 and \$5 000.

Valuation of Non-Current Physical Assets

Non-current physical assets are generally measured at their deprival value, unless stated otherwise. Deprival value determines the value of the asset as being the loss the State would suffer if it were deprived of the future economic benefits embodied in an asset at the date of valuation.

The nature of an asset determines the valuation method used and the following generally applies to the core assets (assets that would be replaced) and non-core assets (assets that would not be replaced) of the State:

- ◆ where an asset would be replaced, and there is a secondary market for the asset, it is valued at current market buying price;
- ◆ where an asset would be replaced and there is no secondary market for the asset, it is valued at the lower of current replacement cost, current reproduction cost or future economic benefit of the existing asset; or
- ◆ where the asset would not be replaced, it is valued at the greater of net present value or net market selling price.

Land, Buildings and Forest Estate

Land and buildings are initially recognised at historical cost. When revalued, the deprival value methodology, as described in the previous section, 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.

In 1998-99, the forest estate comprised timber resource (being land and standing timber) and roads. For valuation and reporting purposes, these assets were considered one. The value reported in the statement of financial position was for the forest estate as a whole. For 1999-00, the value of the forest crop has been separated from the value of roads to comply with Australian Accounting Standard AAS35 'Self Generating and Regenerating Assets'.

In determining the value of the forest estate assets, the forest crop is valued using a discounted cash flow method to derive a net present value, and roads are valued at written down replacement cost. Compliance with AAS35 has increased the value of the forest estate by \$232.8 million. For more detail on the forest estate valuation, refer to the 1999-00 financial statements of Forestry Tasmania.

Plant and Equipment

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

Infrastructure Assets

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 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 deprival 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.

Tasmanian Museum and Art Gallery Collections fall under the control of Trustees of the Tasmanian Museum and Art Gallery. Values are not disclosed in the consolidated financial statements as values cannot be reliably determined. However, a \$35 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 to the Operating Statement 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 26B.

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 trading enterprises and public financial enterprises from the commercial banking sector.

Valuation of Borrowings

Reporting within sectors reflects different accounting policies with respect to the valuation of borrowings. General government values its borrowing portfolio at historical capital cost (i.e. historical cost adjusted for amortisation of discount and premium).

The public trading enterprise sector generally values its borrowings at historical cost. The public financial enterprise sector usually 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. In 1998-99, the unfunded superannuation liability was based upon the actuarial calculation of the present value of forecast employees' past service liability at balance date and the estimated net market value of the superannuation schemes' assets at that date. In 1999-00, to ensure compliance with the AAS30 'Employee Benefits', 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 expected future wage and salary levels, expected future investment earning rates, the expected growth rate in the Consumer Price Index and estimated periods of service. Further detail on the superannuation liability is provided in Note 24.

Other Liabilities

Generally other liabilities are recognised at the estimated amounts payable. However, a significant proportion of other liabilities relate 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 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 27.

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 Operating Statement 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 enterprise 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.

Currency swaps and foreign currency forward contracts are also entered into by certain State controlled entities 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.

P. Comparative Information

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

Note 2 – Disaggregated Information**Disaggregated Operating Statement for the year ended 30 June 2000**

	<u>General Government</u> \$ million	<u>Public Trading</u> <u>Enterprises</u> \$ million	<u>Public Financial</u> <u>Enterprises</u> \$ million	<u>Inter-Sector</u> <u>Eliminations</u> \$ million	<u>Consolidated</u> \$ million
REVENUES					
Taxation	751	....	....	(82)	669
Fines and Regulatory Fees	51	....	....	....	51
Investment Income	137	10	393	(366)	174
Grants	1 381	106	....	(104)	1 383
Sales of Goods and Services	165	887	89	(34)	1 107
Net Revenue from Disposal of Physical Assets	(8)	....	....	....	(8)
Fair Value of Assets Received Free of Charges or for Nominal Consideration	14	....	....	....	14
Other	140	8	12	(10)	150
TOTAL REVENUE	2 631	1 011	494	(596)	3 540
EXPENSES					
Employee Entitlements	942	221	3	(12)	1 154
Superannuation	63	33	....	(5)	91
Depreciation	131	166	1	....	298
Interest and Other Finance Costs	150	160	365	(268)	407
Grants and Transfer Payments	511	14	2	(124)	403
Supplies and Consumables	190	200	6	(4)	392
Other	355	142	104	(48)	553
TOTAL EXPENSES	2 342	936	481	(461)	3 298
OPERATING SURPLUS BEFORE ABNORMAL AND EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENT AND DIVIDENDS	289	75	13	(135)	242
Abnormal Items	91	(67)	(3)	....	21
Extraordinary Items	....	(2)	....	....	(2)
Income Tax Equivalent	....	(11)	(4)	15	....
Dividends	....	(78)	(6)	84	....
OPERATING SURPLUS/(DEFICIT) AFTER ABNORMAL AND EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENT AND DIVIDENDS	380	(83)	0	(36)	261

Note 2 – Disaggregated Information (continued)**Disaggregated Operating Statement for the year ended 30 June 1999**

	<u>General Government</u> \$ million	<u>Public Trading</u> <u>Enterprises</u> \$ million	<u>Public Financial</u> <u>Enterprises</u> \$ million	<u>Inter-Sector</u> <u>Eliminations</u> \$ million	<u>Consolidated</u> \$ million
REVENUES					
Taxation	706	....	....	(78)	628
Fines and Regulatory Fees	37	....	....	....	37
Investment Income	123	6	373	(356)	146
Grants	1 220	104	....	(113)	1 211
Sales of Goods and Services	177	877	75	(28)	1 101
Net Revenue from Disposal of Physical Assets	(1)	....	....	....	(1)
Other	183	8	4	(33)	161
TOTAL REVENUE	2 444	995	452	(608)	3 283
EXPENSES					
Employee Entitlements	892	222	3	(17)	1 100
Superannuation	191	36	....	(1)	226
Depreciation	78	161	....	....	239
Interest and Other Finance Costs	188	161	350	(284)	415
Grants and Transfer Payments	461	3	....	(126)	338
Supplies and Consumables	259	127	2	(6)	382
Other	316	148	87	(39)	512
TOTAL EXPENSES	2 385	858	442	(473)	3 212
OPERATING SURPLUS BEFORE ABNORMAL AND EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENT AND DIVIDENDS	59	137	10	(135)	71
Abnormal Items	(17)	(18)	(16)	....	(51)
Extraordinary Items	(3)	(2)	....	3	(2)
Income Tax Equivalent	....	(56)	3	53	....
Dividends	....	(68)	(6)	74	....
OPERATING SURPLUS/(DEFICIT) AFTER ABNORMAL AND EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENT AND DIVIDENDS	39	(7)	(9)	(5)	18

Note 2 – Disaggregated Information (continued)**Disaggregated Statement of Financial Position as at 30 June 2000**

	<u>General Government</u>	<u>Public Trading</u>	<u>Public Financial</u>	<u>Inter-Sector</u>	<u>Consolidated</u>
	<i>\$ million</i>	<u>Enterprises</u>	<u>Enterprises</u>	<u>Eliminations</u>	<i>\$ million</i>
		<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	
ASSETS					
Current Assets					
Cash	625	54	3	(637)	45
Investments	50	93	1 706	(804)	1 045
Receivables	55	122	....	(5)	172
Prepayments	2	3	....	....	5
Accrued Revenue	5	2	....	....	7
Other	9	42	148	(68)	131
Total Current Assets	746	316	1 857	(1 514)	1 405
Non-Current Assets					
Investments	876	23	3 504	(3 014)	1 389
Receivables	....	....	2	(2)	....
Land, Buildings, Forest Estate	2 771	879	51	....	3 701
Plant and Equipment	187	232	2	....	421
Infrastructure	2 456	4 447	....	....	6 903
Other	5	21	132	(27)	131
Total Non-Current Assets	6 295	5 602	3 691	(3 043)	12 545
TOTAL ASSETS	7 041	5 918	5 548	(4 557)	13 950
LIABILITIES					
Current Liabilities					
Payables	37	60	5	(3)	99
Borrowings	688	223	1 921	(1 455)	1 377
Employee Entitlements	163	54	1	....	218
Superannuation	99	28	....	....	127
Accrued Expenses	66	42	109	(64)	153
Other	6	105	146	(92)	165
Total Current Liabilities	1 059	512	2 182	(1 614)	2 139
Non-Current Liabilities					
Borrowings	1 201	1 372	2 900	(2 202)	3 271
Employee Entitlements	137	12	....	....	149
Superannuation	1 490	261	1	....	1 752
Other	18	184	391	(205)	388
Total Non-Current Liabilities	2 846	1 829	3 292	(2 407)	5 560
TOTAL LIABILITIES	3 905	2 341	5 474	(4 021)	7 699
NET ASSETS	3 136	3 577	74	(536)	6 251

Note 2 – Disaggregated Information (continued)**Disaggregated Statement of Financial Position as at 30 June 1999**

	<u>General Government</u>	<u>Public Trading</u>	<u>Public Financial</u>	<u>Inter-Sector</u>	<u>Consolidated</u>
	<i>\$ million</i>	<u>Enterprises</u> <i>\$ million</i>	<u>Enterprises</u> <i>\$ million</i>	<u>Eliminations</u> <i>\$ million</i>	<i>\$ million</i>
ASSETS					
Current Assets					
Cash	408	34	....	(428)	14
Investments	117	71	1 458	(854)	792
Receivables	61	180	155	(79)	317
Prepayments	3	2	42	....	47
Accrued Revenue	4	10	....	....	14
Other	7	56	....	....	63
Total Current Assets	600	353	1 655	(1 361)	1 247
Non-Current Assets					
Investments	913	22	3 467	(3 128)	1 274
Receivables	1	2	21	(1)	23
Land, Buildings, Forest Estate	2 634	757	55	....	3 446
Plant and Equipment	253	263	2	....	518
Infrastructure	2 474	4 243	....	....	6 717
Other	1	27	22	(46)	4
Total Non-Current Assets	6 276	5 314	3 567	(3 175)	11 982
TOTAL ASSETS	6 876	5 667	5 222	(4 536)	13 229
LIABILITIES					
Current Liabilities					
Payables	93	105	125	(58)	265
Borrowings	525	412	1 527	(1 270)	1 194
Employee Entitlements	149	53	....	....	202
Superannuation	101	25	....	....	126
Accrued Expenses	19	10	1	....	30
Other	17	122	111	(106)	144
Total Current Liabilities	904	727	1 764	(1 434)	1 961
Non-Current Liabilities					
Borrowings	1 609	1 204	3 024	(2 342)	3 495
Employee Entitlements	138	7	....	....	145
Superannuation	1 528	263	1	....	1 792
Other	20	208	359	(235)	352
Total Non-Current Liabilities	3 295	1 682	3 384	(2 577)	5 784
TOTAL LIABILITIES	4 199	2 409	5 148	(4 011)	7 745
NET ASSETS	2 677	3 258	74	(525)	5 484

Note 3 – Taxation Revenue

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Payroll Tax	136	120
Land Tax	25	27
Motor Vehicle Taxes and Fees	63	66
Financial Transaction Taxes	164	145
Safety Net Revenues	176	169
Gambling Taxes	79	67
Fire Service Levies	25	25
Other	1	9
Total Taxation Revenue	669	628

Note 4 – Investment Income

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Interest	170	139
Dividends	3	3
Other	1	4
Total Investment Income	174	146

Note 5 – Grants

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Commonwealth General Purpose Grants	819	733
Commonwealth Special Purpose Grants	506	383
Commonwealth Capital Grants	51	48
Other	7	47
Total Grants	1 383	1 211

Note 6 – Sales of Goods and Services

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Sale of Goods	661	684
Sale of Services	446	417
Total Sales of Goods and Services	1 107	1 101

Note 7 – Net Revenue from Disposal of Physical Assets

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Proceeds from Disposal of Physical Assets	60	30
Deduct written down value of assets sold	(68)	(31)
Total Net Revenue from Disposal of Physical Assets	(8)	(1)

Note 8 – Other Revenues

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Rents, commissions, etc.	7	2
Cost recoveries	19	19
Other	124	140
Total Other Revenues	150	161

Note 9 – Employee Entitlements

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Salaries and Wages	1 105	1 031
Long Service Leave	22	20
Workers' Compensation Contributions	23	22
Other	4	27
Total Employee Entitlements	1 154	1 100

Note 10 – Depreciation

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Depreciation in respect of:		
Buildings	48	48
Plant and Equipment	50	39
Infrastructure	196	122
Other	4	30
Total Depreciation	298	239

Note 11 – Interest and Other Finance Costs

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Interest on Borrowings	404	411
Other Borrowing Costs	3	4
Total Interest and Other Finance Costs	407	415

Note 12 – Other Expenses

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Forestry specific expenses	10	36
Concessions	43	40
Advertising and promotion	22	11
MAIB specific expenses	102	85
Consultants	67	6
Maintenance and property services	55	6
Other	254	328
Total Other Expenses	553	512

Note 13 – Abnormal Items

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Trust Bank sale proceeds	141	....
Trust Bank sale costs	(5)	....
Capital note write-off relating to Trust Bank sale	(10)	....
DIER road infrastructure revaluation decrement	(18)	....
DIER road infrastructure write-down	(6)	....
HEC debt portfolio restructure	(27)	....
Transfer of North West Regional Water Authority to local government	(34)	....
Burnie Ports Corporation asset revaluation decrement	(5)	....
DHHS reclassification of work in progress to maintenance	(11)	....
Increase in outstanding claims provision by MAIB for anticipated introduction of GST	....	(16)
Maintenance and refurbishment of HEC assets	....	(7)
Various other abnormal items	(4)	(17)
Loss on transfer of bridge assets to local government	....	(2)
Loss on privatisation of LSL (Construction Industry) Fund	....	(9)
Total Abnormal Items	21	(51)

Note 14 – Extraordinary Items

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Tas Dairy Industry Authority – loss on transfer of assets	(1)	....
Tas Dairy Industry Authority – staff redundancies	(1)	....
Metro – Underprovision for employee superannuation withdrawal	....	(2)
Total Extraordinary Items	(2)	(2)

Note 15 – Investments

Current Investments	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Unsettled Forward Transactions	....	49
Loan Advances	101	59
Short Term Deposits, Bills and Other Securities	942	658
Government and Institutional Securities	2	26
Total Current Investments	1 045	792

Non-Current Investments	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Loan Advances	247	203
Short Term Deposits, Bills and Other Securities	1 127	704
Equities from a Prescribed Stock Exchange	2	56
Government and Institutional Securities	8	311
Other	5	....
Total Non-Current Investments	1 389	1 274

Note 16 – Receivables

Current Receivables	2000	1999
	\$ m	\$ m
Trade Receivables	125	225
Other	69	111
	<u>194</u>	<u>336</u>
Less provision for doubtful debts	(22)	(19)
Total Current Receivables	<u>172</u>	<u>317</u>
Non-Current Receivables	2000	1999
	\$ m	\$ m
Trade Receivables	....	2
Other	....	21
	<u>....</u>	<u>23</u>
Less provision for doubtful debts	....	....
Total Non-Current Receivables	<u>....</u>	<u>23</u>

Note 17 – Other Assets

Current Other Assets	2000	1999
	\$ m	\$ m
Forest Estate Inventories	17	28
Other Inventories	26	25
Deferred buy back losses	4	....
Stock Lending	21	....
Accrued Interest	50	....
Other	13	10
Total Current Other Assets	<u>131</u>	<u>63</u>
Non-Current Other Assets	2000	1999
	\$ m	\$ m
Cross Currency Swap Receivables	95	....
Swap Prepayments	26	....
Deferred buy back losses	4	....
Inventories	...	....
Other	6	4
Total Non-Current Other Assets	<u>131</u>	<u>4</u>

Note 18 – Land, Buildings, Forest Estate

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Land at cost or valuation	1 001	699
Buildings at cost or valuation	2 945	2 906
Less Accumulated Depreciation	(639)	(648)
	<u>2 306</u>	<u>2 258</u>
Forest Estate at valuation	394	489
Total Land, Buildings, Forest Estate	<u>3 701</u>	<u>3 446</u>

Note 19 – Plant and Equipment

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Carrying value of plant and equipment under finance lease	....	4
Plant and Equipment at cost or valuation	749	808
Less Accumulated Depreciation	(328)	(294)
	<u>421</u>	<u>514</u>
Total Plant and Equipment	<u>421</u>	<u>518</u>

Note 20 – Infrastructure

	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>
Infrastructure at cost or valuation	7 927	7 877
Less Accumulated Depreciation	(1 024)	(1 160)
Total Infrastructure	<u>6 903</u>	<u>6 717</u>

Note 21 – Payables

Current Payables	2000	1999
	<i>\$ m</i>	<i>\$ m</i>
Trade Creditors	90	110
Other	9	155
Total Payables	99	265

Note 22 – Borrowings

Current Borrowings	2000	1999
	<i>\$ m</i>	<i>\$ m</i>
Non-Commonwealth	1 260	1 053
Debt due to Commonwealth	117	141
Total Borrowings	1 377	1 194

Non-Current Borrowings	2000	1999
	<i>\$ m</i>	<i>\$ m</i>
Non-Commonwealth	2 902	3 021
Debt due to Commonwealth	369	474
Total Borrowings	3 271	3 495

Note 23 – Employee Entitlements

Current Employee Entitlements	2000 \$ m	1999 \$ m
Accrued salaries and wages	35	20
Annual leave	89	89
Long service leave	70	69
Workers' compensation	24	24
Total Employee Entitlements	218	202
Non-Current Employee Entitlements	2000 \$ m	1999 \$ m
Accrued salaries and wages	2	....
Annual leave	1	....
Long service leave	119	114
Workers' compensation	27	31
Total Employee Entitlements	149	145

Note 24 – 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 are the responsibility of the State and are recognised accordingly.

Each year, the Government 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 2000, based on actuarial valuations, is summarised as follows:

State's Unfunded liabilities under State Government schemes:

	<i>Retirement Benefits Act 1993</i>	<i>Parliamentary Superannuation Act 1973</i>	<i>Parliamentary Retiring Benefits Act 1985</i>	<i>Judges' Contributory Pensions Act 1968</i>	<i>Total Superannuation Liability</i>	<i>Total Superannuation Liability</i>
	<i>2000</i>	<i>2000</i>	<i>2000</i>	<i>2000</i>	<i>2000</i>	<i>1999</i>
	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>
Vested Benefits	3 030	19	7	19	3 075	
Accrued Benefits	2 706	18	8	21	2753	
Less: Net Market Value of Plan Assets	860	7	7	....	874	
Deficit	1 846	11	1	21	1 879	1 918
Classified as:						
Current	123	3	....	1	127	126
Non-current	1 723	8	1	20	1 752	1 792
Total	1 846	11	1	21	1 879	1 918

For 1999-00, unfunded superannuation liability is calculated by deducting the net market value of plan assets from the gross Accrued Benefit liability for each superannuation scheme. Previously the unfunded superannuation liability was calculated as gross Past Service liability less fund assets. The individual elements of the liabilities as at 30 June 1999 have not been included for each fund as they are not directly comparable.

The Accrued Benefit liability represents the total discounted value of all employees' entitlements as at 30 June 2000. 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. The change in methodology ensures consistency with the Australian Accounting Standards.

Note 25 – Other Liabilities

Current Other Liabilities	2000	1999
	\$ m	\$ m
Funds held in trust	9	12
Revenue received in advance	58	16
MAIB provision for unearned income	....	39
Provision for outstanding and unreported claims for MAIB	73	67
Stock Lending	21	....
Other	4	10
Total Other Liabilities	165	144
Non-Current Other Liabilities	2000	1999
	\$ m	\$ m
Funds held in trust	....	4
Provision for outstanding and unreported claims for MAIB	372	344
Cross Currency Swap Payables	8	....
Other	8	4
Total Other Liabilities	388	352

Note 26 – Commitments**A. Commitments for Capital Expenditure**

At 30 June 2000, 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.

	2000	1999
	\$ m	\$ m
Not later than 1 year	93	58
Later than 1 year	244	91
Total	337	149

B. Operating Lease Commitments

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

	2000	1999
	\$ m	\$ m
Not later than 1 year	118	87
Later than 1 year and not later than 5 years	167	177
Later than 5 years	115	177
Total	400	441

C. Finance Lease Commitments

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

	2000 \$ m	1999 \$ m
Lease commitments:		
Not later than 1 year	2	2
Later than 1 year and not later than 5 years	2	3
Later than 5 years	6	6
Minimum lease payments	10	11
<i>Deduct: future finance charges</i>	(5)	(5)
Finance Lease Liability	5	6

Note 27 – Contingent Liabilities

Contingent liabilities represent items that, at 30 June 2000, 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 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

Nature of Contingency	General	Public	Public	Total
	Government	Trading	Financial	
	Enterprises	Enterprises	Enterprises	
	2000	2000	2000	
	\$ m	\$ m	\$ m	\$ m
Guarantees	9	....	....	9
Claims relating to insurance (excluding claims by employees for personal injuries)	....	....	....	....
Deferred Start Swaps:				
Receive Fixed	....	....	104	104
Pay Fixed	....	....	105	105
Other:				
Aurora Energy Pty Ltd various property loss and personal injury (excluding employee claims)	....	1	....	1
Total Contingent Liabilities – Quantifiable	9	1	209	219

Nature of Contingency	General Government Enterprises 1999 \$ m	Public Trading Enterprises 1999 \$ m	Public Financial Enterprises 1999 \$ m	Total 1999 \$ m
Guarantees	9	....	....	9
Claims relating to insurance (excluding claims by employees for personal injuries)	....	2	....	2
Deferred Start Swaps:				
Receive Fixed	....	....	49	49
Pay Fixed	....	....	60	60
Total Contingent Liabilities – Quantifiable	9	2	109	120

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:

- public liability claims by former patients of the Department of Health and Human Services;
- claims against the Department of Infrastructure, Energy and Resources relating to:
 - Limited Access Compensation;
 - damage to property (including motor vehicles) allegedly due to road works or road conditions;
- TOTE Tasmania and its subsidiary company Tas Radio Pty Ltd defending a dispute over ownership rights to a radio licence; and
- claims against the Department of State Development relating to:
 - litigation with Mack Investments Pty Ltd, George Peter Wright, Natureland of Tasmania Pty Ltd and Michael Winston Tatlow for loss of proceeds of sale and damages
 - litigation with B J Kennedy in an action initiated by the Department of State Development for the repayment of loan monies. The client has lodged a counter claim against the Department for negligent advice.

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.

Two claims are currently lodged under the Commonwealth *Native Titles Act 1993*. One relates to certain Bass Strait Islands off Wilsons Promontory which are within Tasmanian coastal waters, while the other relates to Sundown Point which is an aboriginal reserve in the north west of the State.

Note 28 – Compliance with Appropriations

In conformity with Australian Accounting Standard AAS29 'Financial Reporting by Government Departments', general government 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 2000.

Note 29 – Additional Financial Instruments Disclosures*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 1999 and 30 June 2000 to interest rate risk and the effective interest rates of financial assets and financial liabilities are shown in the following tables.

	Note	Weighted Average Effective Interest Rates	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		
			2000 \$ m	2000 \$ m	2000 \$ m	2000 \$ m	2000 \$ m	
Financial Assets								
Cash		N/A	31	14	....	....	....	45
Investments	15	6.81	782	707	225	603	117	2434
Receivables	16	N/A	16	16	24	36	80	172
			829	737	249	639	197	2 651
Financial Liabilities								
Payables	21	N/A	21	21	....	....	57	99
Borrowings	22	6.85	682	884	2 224	853	....	4 643
Finance Leases	26C	11.45	....	1	2	2	....	5
			703	906	2 226	855	57	4 747

	Note	Weighted Average Effective Interest Rates	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			
			1999 \$ m	1999 \$ m	1999 \$ m	1999 \$ m	1999 \$ m		
Financial Assets									
Cash		N/A	14	....	....	....	....	14
Investments	15	6.36	444	339	309	841	133	2 066	
Receivables	16	N/A	....	....	....	....	340	340
			458	339	309	841	473	2 420	
Financial Liabilities									
Payables	21	N/A	....	....	....	....	265	265
Borrowings	22	7.31	940	251	2 374	1 118	....	4 683
Finance Leases	26C	10.94	....	2	3	1	....	6
			940	253	2 377	1 119	265	4 954	

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 2000 \$ m	Investments 2000 \$ m	Swaps 2000 \$ m	Net exposure 2000 \$ m
Japanese Yen	494	....	(494)	....
US Dollars	....	150	(150)	....
German Deutschmarks		40	(40)	....
Total	494	190	(684)	....

	Borrowings 1999 \$ m	Investments 1999 \$ m	Swaps 1999 \$ m	Net exposure 1999 \$ m
Japanese Yen	478	....	(478)	....
US Dollars	152	(135)	(17)	....
Total	630	(135)	(495)	....

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, Tascorp, has a US\$45 million standby facility and intra-day standby lines of A\$80million 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, Tascorp, 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 follow:

Type of Instrument	Exposure	Exposure
	2000	1999
	\$ m	\$ m
Interest rate swaps	83	143
Futures contracts	2	17
Foreign exchange contracts	177	118
Total	262	278

Net Fair Value

The carrying amounts and estimated fair values of recognised financial instruments held at 30 June 1999 and 30 June 2000 are as follows:

	Net Fair Value	Carrying Value
	2000	2000
	\$ m	\$ m
Financial Assets		
Cash	45	45
Investments	2 502	2 434
Receivables	173	172
Total Financial Assets	2 720	2 651
Financial Liabilities		
Payables	99	99
Borrowings	5 173	4 643
Finance Leases	5	5
Total Financial Liabilities	5 277	4 747

	Net Fair Value 1999 \$ m	Carrying Value 1999 \$ m
Financial Assets		
Cash	14	14
Investments	2 119	2 066
Receivables	340	340
Total Financial Assets	2 473	2 420
Financial Liabilities		
Payables	265	265
Borrowings	4 997	4 683
Finance Leases	6	6
Total Financial Liabilities	5 268	4 954

Note 30 – Reconciliation of Net Cash Flow from Operating Activities to Operating Surplus

	2000 \$ m	1999 \$ m
Operating Surplus (excluding public financial institutions)	460	314
Non-Cash Movements		
Depreciation and Amortisation	298	239
Net Revenue from Sale of Physical Assets	8	1
Abnormal Expenses	136	40
Decrease in Payables	(41)	(69)
Increase/(Decrease) in Employee Entitlements	20	(36)
Increase/(Decrease) in Superannuation	(38)	56
Increase/(Decrease) in Accrued Expenses	18	(38)
Increase/(Decrease) in Other Liabilities/Provisions	20	(1)
(Increase)/Decrease in Receivables	67	(77)
Decrease in Prepayments	1	1
(Increase)/Decrease in Accrued Revenue	8	(2)
Decrease in Other Assets	11	19
Adjustment for other Non-Cash Items	(2)	(94)
NET CASH FROM OPERATING ACTIVITIES	966	353

Note 31 – Statement of Cash Flows of Financial Institutions

	2000	1999
	\$ m	\$ m
	<i>Inflows</i>	<i>Inflows</i>
	<i>(Outflows)</i>	<i>(Outflows)</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts		
Interest Received	246	101
Other Receipts	(1)	3
Payments		
Employee Entitlements	(1)	(1)
Interest Paid	(473)	(350)
Other Payments	(2)	(1)
NET CASH USED IN OPERATING ACTIVITIES	(231)	(248)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Investments	(42)	(11)
NET CASH USED IN INVESTING ACTIVITIES	(42)	(11)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Swap Repayments	....	(24)
Net increase/(Decrease) in Deposits	32	(39)
Net Borrowings	(52)	220
NET CASH FROM FINANCING ACTIVITIES	(20)	157
NET CASH FLOWS USED BY FINANCIAL INSTITUTIONS	(293)	(102)

Note 32 – Closing Cash and Cash Equivalents

	2000	1999
	\$ m	\$ m
DEPOSITS AT CALL		
Financial Institutions		
Cash	1	....
Investments at Call	282	45
Advances at Call	18	16
Short Term Securities	486	359
Borrowings at Call	(30)	....
Deposits at Call	(39)	(30)
Other Entities	45	14
CASH AND CASH EQUIVALENTS HELD AT 30 JUNE	763	404

Note 33 - Reconciliation of Changes in Equity

	Total	Accumulated	Asset Revaluation	Other Reserves
	2000	Surplus	Reserve	2000
	\$ m	2000	2000	2000
	\$ m	\$ m	\$ m	\$ m
Balance at beginning of reporting period	5 484	2 375	2 001	1 108
Operating surplus/(deficit)	261	261	....	....
Transfers to reserves	43	5	30	8
Transfers from reserves	(8)	(4)	(1)	(3)
Revaluation increments	413	....	413	....
Revaluation decrements	(6)	....	(6)	....
Other movements	64	64	....	....
Balance at end of reporting period	6 251	2 701	2 437	1 113

Note 34 – Details of controlled entities

During the year ended 30 June 2000, a number of changes occurred to the structure of entities controlled by the State.

The North West Water Authority was established as a joint authority under the control of local, rather than State, government effective 10 August 1999. All property, obligations and liabilities of the North West Regional Water Authority transferred to the new North West Water Authority. The new joint authority is classified as part of the local government sector.

The Tasmanian Dairy Industry Authority ceased trading on 30 June 2000. The proclamation of the *Dairy Industry Amendment Act 2000* on 1 July 2000 removed the Authority's market milk regulation powers and consequently the Pool operations. Appropriate provisions were made for winding up costs and adequate reserves provided for the ongoing functions.

Racing Tasmania was dissolved on 30 November 1999 with all property, obligations and liabilities transferred to the Totalisator Agency Board (TAB). Under the restructure, the functions previously performed by Racing Tasmania have been divided between the TAB and the new Racing Division of the Department of Infrastructure, Energy and Resources.

TB No. 1 Limited was incorporated under the Corporations Law in accordance with the provisions of the *Trust Bank Sale Act 1999*. The principal activities of the company and its subsidiaries were to attend to outstanding matters in relation to the activities of research and development syndicates in which Trust Bank participated, and to fulfil obligations arising from the Sale of Business Deed between Trust Bank, the State Bank of New South Wales Limited and the State.

On 7 September 2000, TB No. 1 exercised its put option over its subsidiary NC Pty Ltd. The financial effect of this event was that:

- Nissan Casting Australia Pty Ltd subscribed for 15 642 024 ordinary shares for \$15 642 024;
- The funds from this subscription were used to repay a BT Australia (Holdings) Ltd loan; and
- TB No. 1 sold its 1 008 ordinary shares to Nissan Casting Australia Pty Ltd for \$2.00.

The following controlled entities of the State are included in the consolidated financial report for the year ended 30 June 2000.

General Government

Department of Education
Department of Health and Human Services (excluding Home Ownership Assistance Program)
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 State Development
Department of Treasury and Finance
House of Assembly
Inland Fisheries Service
Legislative Council
Legislature-General
Marine *and* Safety Tasmania
Office of the Governor
Royal Tasmanian Botanical Gardens
State Fire Commission
Tasmanian Audit Office

Public Trading Enterprises

Aurora Energy Pty Ltd
Burnie Port Corporation Pty Ltd
Civil Construction Services Corporation
Egg Marketing Board
Forestry Tasmania
Hobart Ports Corporation Pty Ltd
Hydro-Electric Corporation
Metro Tasmania Pty Ltd
North West Regional Water Authority
Port Arthur Historic Site Management Authority
Port of Devonport Corporation Pty Ltd
Port of Launceston Pty Ltd
Printing Authority of Tasmania
Private Forests Tasmania
Racing Tasmania
Rivers and Waters Supply Commission
Southern Regional Cemetery Trust
Stanley Cool Stores Board

TAFE Tasmania
Tasmanian Dairy Industry Authority
Tasmanian Grain Elevators Board
Tasmanian International Velodrome Management Authority
The Public Trustee
Totalizator Agency Board
Transend Networks Pty Ltd
TB No. 1 Limited
TT-Line Company Pty Ltd

Public Financial Enterprises

Home Ownership Assistance Program
Motor Accidents Insurance Board (MAIB)
Tasmanian Public Finance Corporation (Tascorp)

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 these accounts.
