



Consolidated Financial Statements

for the

State of Tasmania

2000-01

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Consolidated Financial Statements

Summary for 2000-01

- The operating result for the Tasmanian general government sector was a surplus of \$41 million for the year ended 30 June 2001.
- An unexpected adjustment to the superannuation liability contributed to a consolidated operating result for the total Tasmanian public sector of a \$62 million deficit for the year ended 30 June 2001. Adjustments to the valuation of superannuation can impact both positively and negatively on the underlying surplus from year to year. Without the superannuation adjustment, the total Tasmanian public sector would have returned a surplus of \$45 million.
- Cash and investments totalled \$2 403 million as at 30 June 2001, representing 17.2 per cent of total assets held.
- Physical assets totalled \$11 204 million as at 30 June 2001, representing 80.3 per cent of total assets held.
- The net worth of the Tasmanian public sector as at 30 June 2001 was \$6 437 million, comprising assets of \$13 949 million and liabilities of \$7 512 million.

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 2000-01 operating result shows a deficit before abnormal and extraordinary items of \$62 million. A major factor contributing to the movement between the deficit at 30 June 2001 and the surplus of \$242 million at 30 June 2000 is an increase in the superannuation expense of \$175 million. This expense comprises payments (realised) to the Retirement Benefits Fund for pensions and lump sum payments to retirees and the unrealised gain or loss on year on year movement in the unfunded superannuation liability. In 2000-01 this movement was an unrealised loss of \$107 million compared with an unrealised gain of \$38 million in 1999-00.

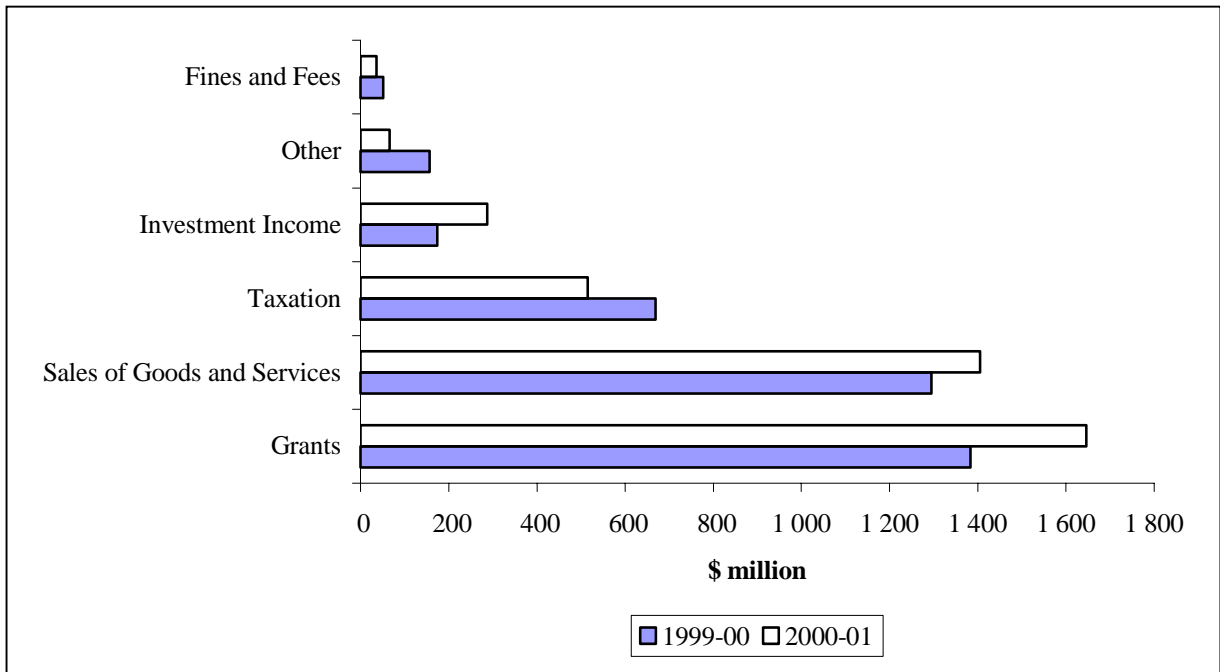
The present accounting treatment of superannuation liabilities, especially the recognition of unrealised gains or losses, leads to the significant movements in operating results from year to year. After adjusting superannuation expenses by excluding the unrealised loss / gain component, the adjusted operating result for 2000-01 is a surplus of \$45 million, compared with an adjusted surplus for 1999-00 of \$204 million.

Revenues

Total revenues for the year ended 30 June 2001 were \$3 955 million, an increase of \$227 million, or 6.1 per cent, over the previous year. Increased revenue arose from increases in grants (\$263 million), investment income (\$113 million), and sales of goods and services (\$110 million). These increases were partially offset by a reduction in taxation revenue (\$154 million). The increase in grants and reduction in taxation reflect the introduction of the Goods and Services Tax on 1 July 2000.

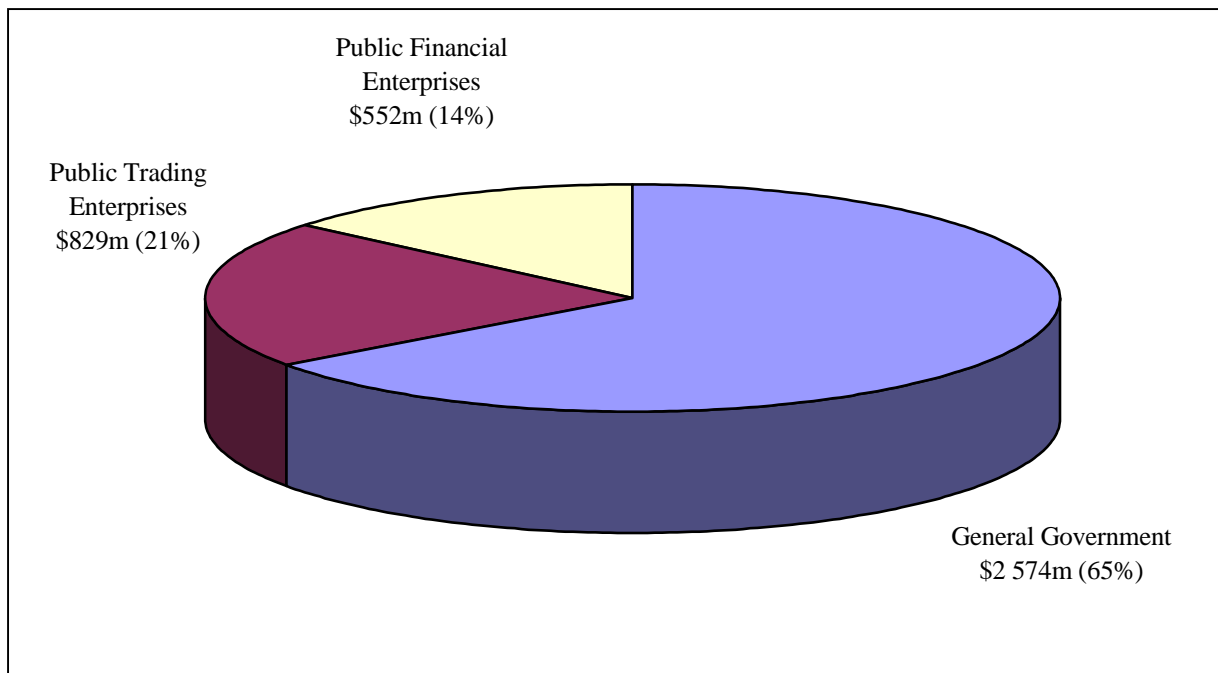
Total revenues by category for 1999–00 and 2000–01 are shown in figure 1.

Figure 1: Total Revenues by Category



Total revenues by sector, after adjusting for inter-sector eliminations, are shown in figure 2.

Figure 2: Total Revenues by Sector

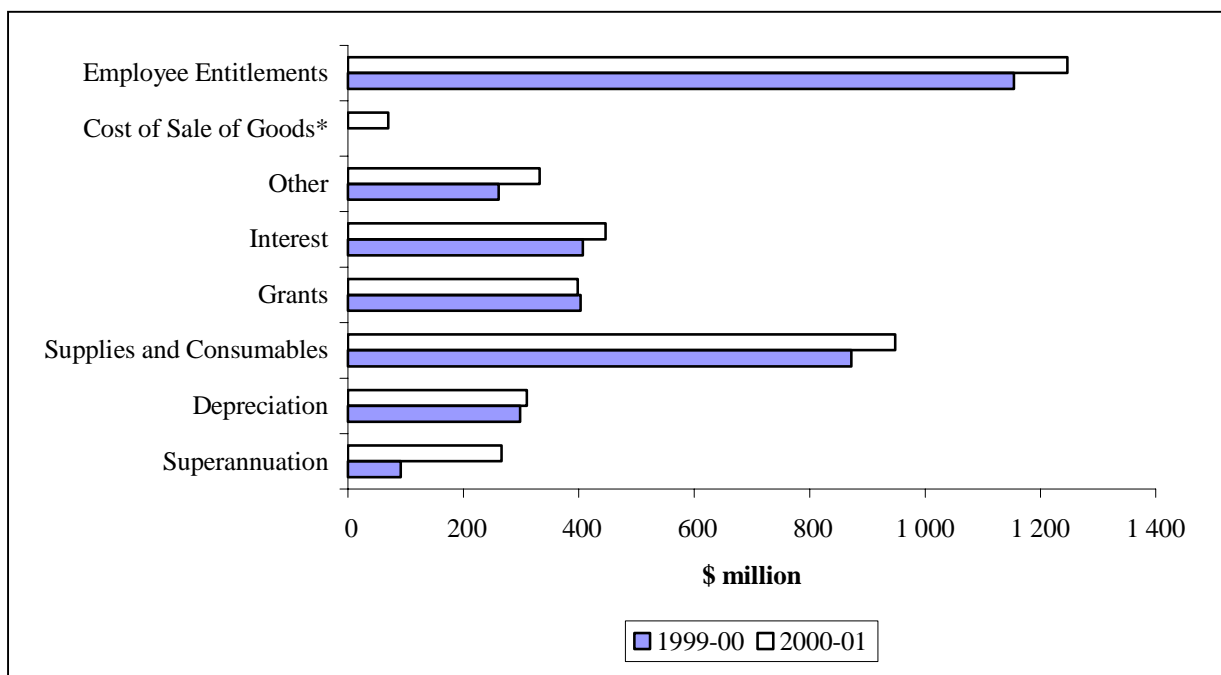


Expenses

Total expenses for the year ended 30 June 2001 were \$4 017 million, an increase of \$531 million, or 15.2 per cent over the previous year. Higher expenses were incurred in all categories except grants.

Expenses by category for 1999–00 and 2000–01 are shown in figure 3.

Figure 3: Total Expenses by Category



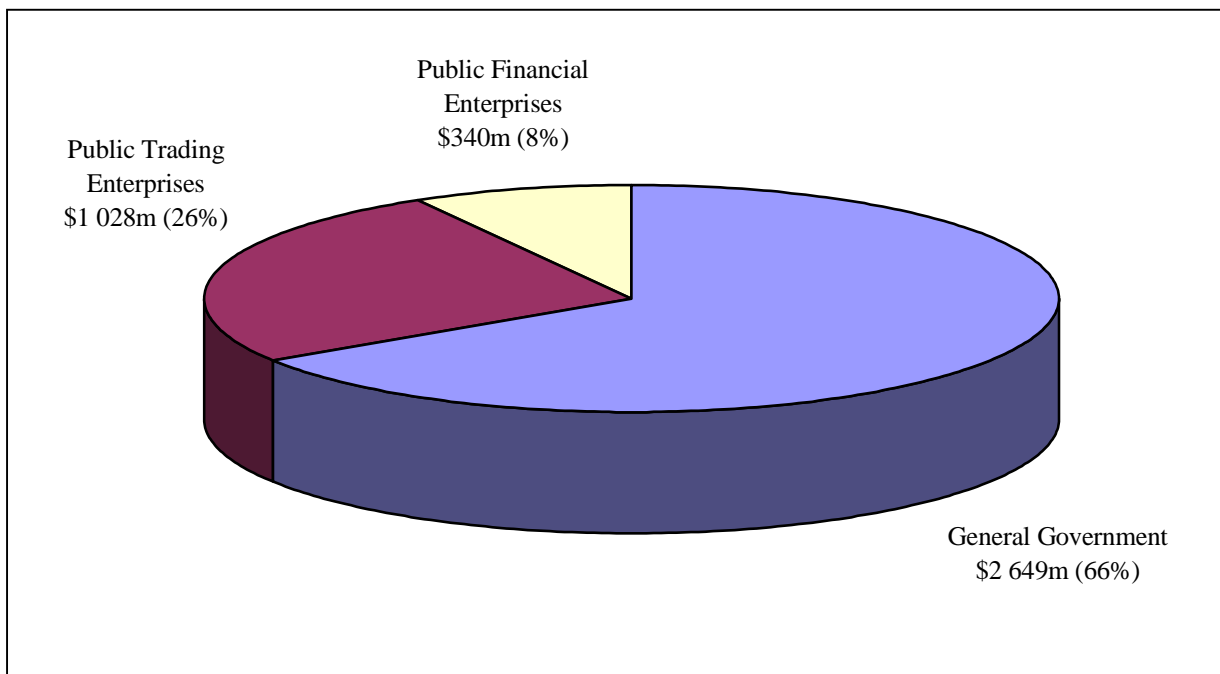
* First year application as a result of Accounting Standard classifications

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 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 (29 per cent).

Total adjusted expenses by sector, after adjusting for inter-sector eliminations, are shown in figure 4.

Figure 4: Total Expenses by Sector



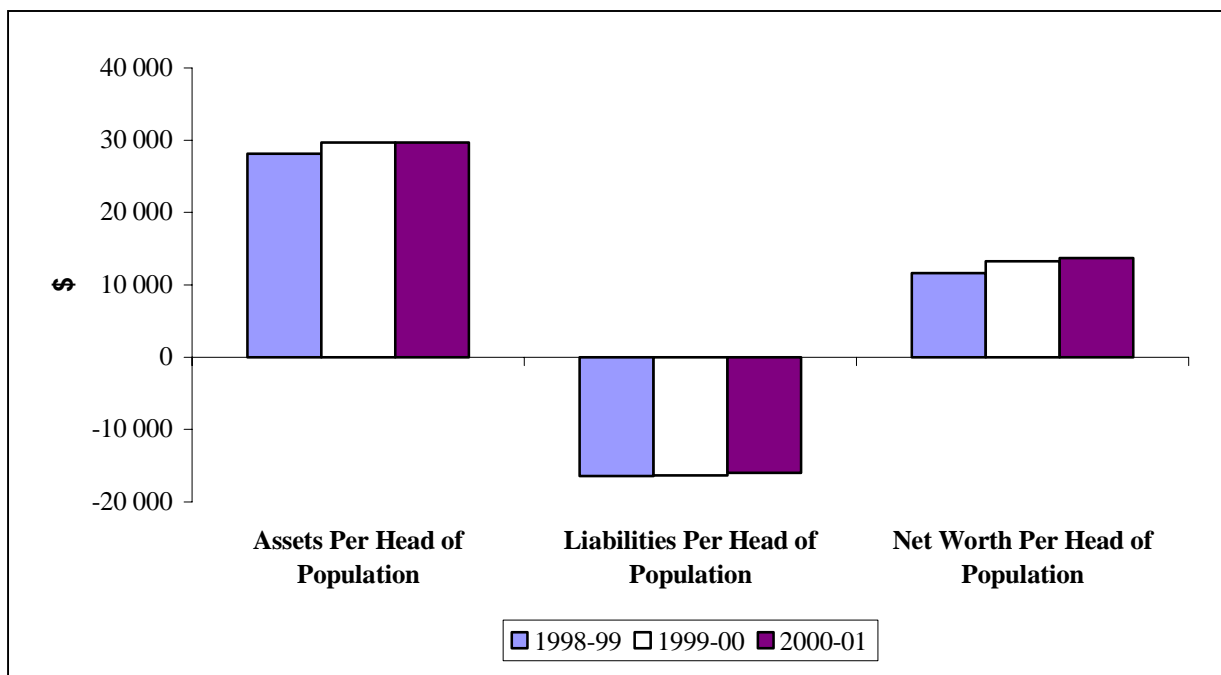
Overview of the State's Financial Position

As at 30 June 2001, total assets of \$13 949 million exceeded total liabilities of \$7 512 million, resulting in net assets of \$6 437 million. This compares with \$6 251 million net assets for the previous year.

Based on an estimated Tasmanian population of 470 300 at 30 June 2001, the net worth per head of population was \$13 687, an increase of 3 per cent over the previous year.

Figure 5 depicts net worth per head of population.

Figure 5: Net Worth Per Head of Population

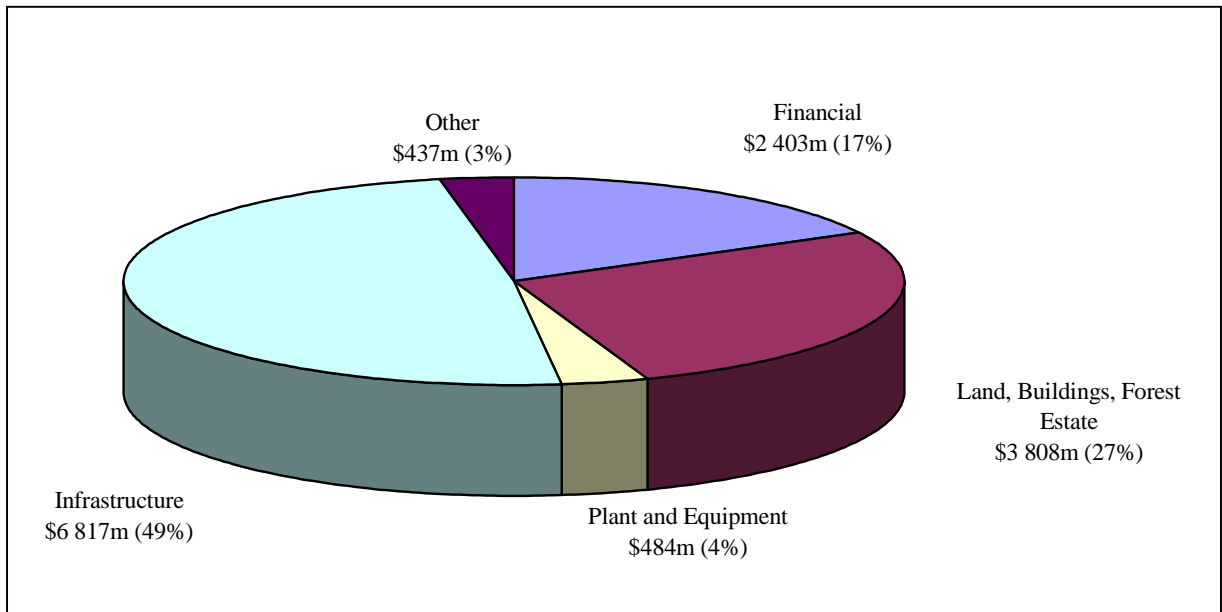


Assets

Total assets amounted to \$13 949 million as at 30 June 2001, which remains unchanged from the previous year. Total assets consist of current assets of \$1 239 million and non-current assets of \$12 710 million.

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

Figure 6: Total Assets by Category

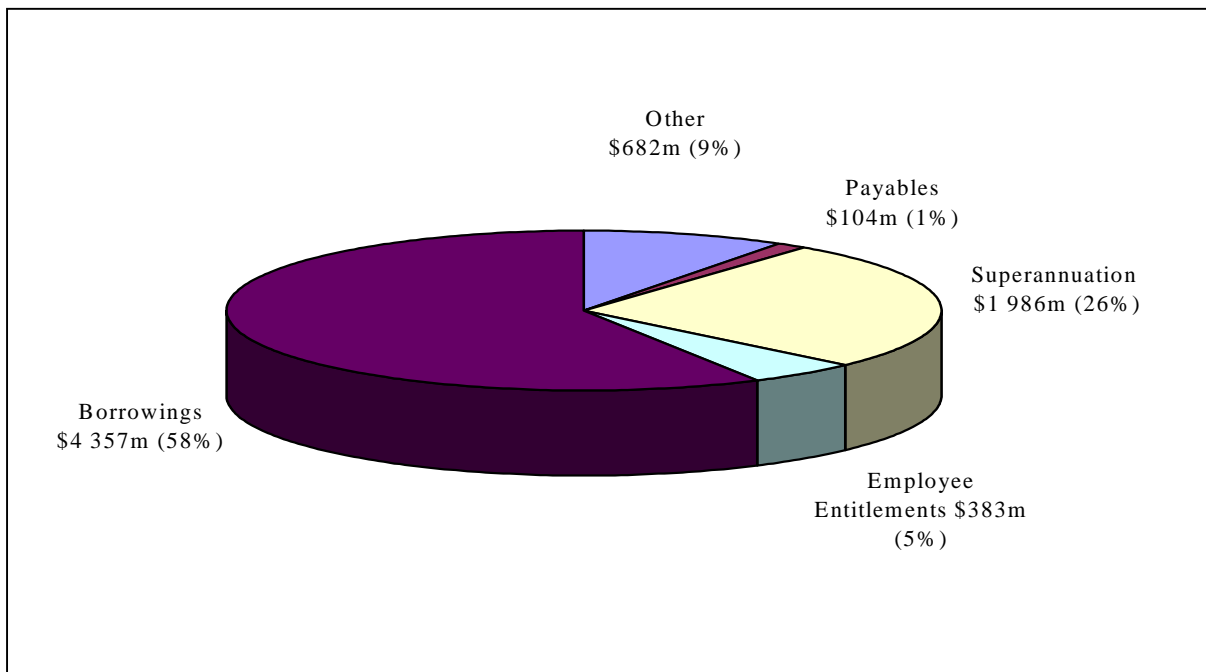


Liabilities

Total liabilities amounted to \$7 512 million as at 30 June 2001, (a decrease of \$187 million, or 2 per cent from the previous year). Total liabilities consist of current liabilities of \$2 356 million and non-current liabilities of \$5 156 million.

Total liabilities by category are shown in figure 7.

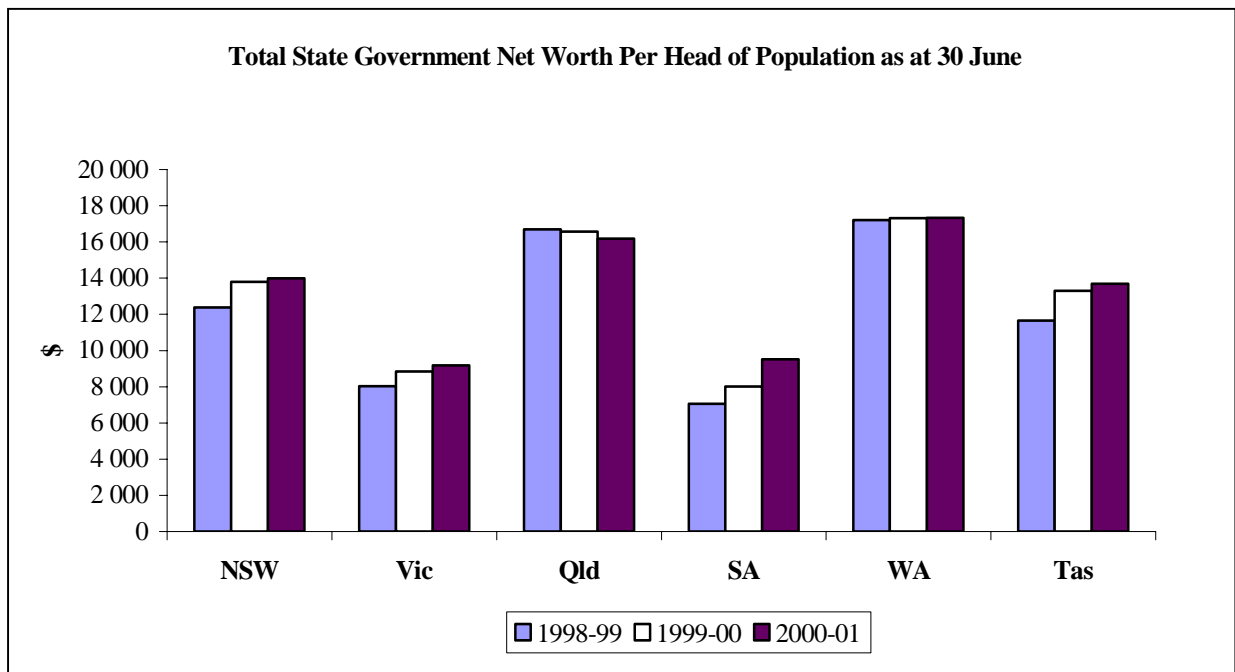
Figure 7: Total Liabilities by Category



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 2001 was \$13 687. Figure 8 provides a comparison across all States of the net worth per head of population as at 30 June. 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 8: Interstate Comparison of Total State Government Net Worth per Head of Population as at 30 June



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

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 2001	30 June 2000	30 June 1999
<i>Financial Stability Ratios</i>			
	<i>(per cent)</i>	<i>(per cent)</i>	<i>(per cent)</i>
Total liabilities to total assets (debt ratio)	53.9	55.2	58.6
Total borrowings to total assets (gearing ratio)	30.9	33.3	35.4
<i>Liquidity Ratios</i>			
	<i>(ratio)</i>	<i>(ratio)</i>	<i>(ratio)</i>
Current assets to current liabilities (current ratio)	0.53	0.66	0.64
Quick ratio*	0.47	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 2000 and 30 June 2001 reflects the decrease in both total liabilities and total borrowings. Borrowings, a component of total liabilities, reduced due to the retirement of debt and the result of successive Fiscal Strategies which have eliminated Budget deficits in the general government sector.

Total assets have remained consistent with the prior year. There has been a decrease in current assets and a corresponding increase in non-current assets. This is reflected primarily in the make up of investments.

The decreases in the State's liquidity ratios are the result of reductions in the holding of liquid financial assets, which have been restructured into non-current investments. Also there has been an increase in current liabilities, reflecting an increase in loans due for repayment over the next twelve months

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 cash flows of the State for the year ended 30 June 2001 and the financial position of the State as at 30 June 2001; and
- (b) 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.



David Crean
TREASURER



D W Challen
SECRETARY
Department of Treasury and Finance

17 December 2001

INDEPENDENT AUDIT REPORT

To the Treasurer of Tasmania

STATE OF TASMANIA - CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

Scope

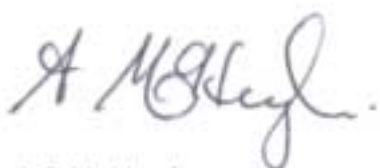
I have audited the State of Tasmania - Consolidated Financial Statements (comprising Financial Performance, Financial Position and Cash Flows Statements and notes thereto) for the year ended 30 June 2001. The Department of Treasury and Finance assumed responsibility for preparation of the Consolidated 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 2001, and the results of its operations and its cash flows for the year then ended.



A J McHugh
AUDITOR-GENERAL

17 December 2001

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STATE OF TASMANIA
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001

	<i>Note</i>	<i>2001</i> \$ million	<i>2000</i> \$ million
REVENUES			
Taxation	3	515	669
Fines and Regulatory Fees		36	51
Investment Income	4	287	174
Grants	5	1 646	1 383
Sales of Goods and Services	6	1 405	1 295
Net Revenue from Disposal of Physical Assets	7	(16)	(8)
Fair Value of Assets Received Free of Charge or for Nominal Consideration		2	14
Other Revenues	8	80	150
TOTAL REVENUES		3 955	3 728
EXPENSES			
Employee Entitlements	9	1 247	1 154
Superannuation	26	266	91
Depreciation	10	310	298
Interest and Other Finance Costs	11	446	407
Grants and Transfer Payments		398	403
Supplies and Consumables	12	948	872
Cost of Sale of Goods		70	....
Other Expenses	13	332	261
TOTAL EXPENSES		4 017	3 486
OPERATING SURPLUS, BEFORE ABNORMAL AND EXTRAORDINARY ITEMS		(62)	242
Abnormal Items	14	....	21
Extraordinary Items	15	....	(2)
OPERATING SURPLUS, AFTER ABNORMAL AND EXTRAORDINARY ITEMS		(62)	261

STATE OF TASMANIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2001

	<i>Note</i>	<i>2001</i> <i>\$ million</i>	<i>2000</i> <i>\$ million</i>
ASSETS			
Current Assets			
Cash	34	27	45
Investments	16	871	1 045
Receivables	17	199	172
Prepayments		19	5
Accrued Revenue		3	7
Tax Assets		10	....
Other Current Assets	18	110	131
Total Current Assets		1 239	1 405
Non-Current Assets			
Investments	16	1 505	1 389
Receivables	17	1	....
Land, Buildings, Forest Estate	19	3 808	3 820
Plant and Equipment	20	484	421
Infrastructure	21	6 817	6 784
Other Non-current Assets	18	95	131
Total Non-Current Assets		12 710	12 545
TOTAL ASSETS		13 949	13 950
LIABILITIES			
Current Liabilities			
Payables	23	104	99
Borrowings	24	1 649	1 377
Employee Entitlements	25	183	218
Superannuation	26	142	127
Accrued Expenses		128	153
Tax Liabilities		4	
Other Current Liabilities	27	146	165
Total Current Liabilities		2 356	2 139
Non-Current Liabilities			
Borrowings	24	2 656	3 271
Employee Entitlements	25	200	149
Superannuation	26	1 844	1 752
Tax Liabilities		....	....
Other Non-current Liabilities	27	456	388
Total Non-Current Liabilities		5 156	5 560
TOTAL LIABILITIES		7 512	7 699
NET ASSETS	35	6 437	6 251

STATE OF TASMANIA

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2001**

	<i>Note</i>	<i>2001</i> <i>\$ million</i> <i>Inflows</i> <i>(Outflows)</i>	<i>2000</i> <i>\$ million</i> <i>Inflows</i> <i>(Outflows)</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Taxation		500	667
Fines and Regulatory Fees		36	64
Interest Received		29	38
Grants		1 646	1 383
Sales of Goods and Services		1 418	1 389
GST Receipts		166	....
Other Receipts		48	304
Payments			
Employee Entitlements		(1 227)	(1 134)
Superannuation		(131)	(130)
Interest Paid		(14)	(54)
Grants and Transfer Payments		(398)	(403)
Supplies and Consumables		(955)	(873)
GST Payments		(183)	....
Other Payments		(311)	(285)
NET CASH FROM OPERATING ACTIVITIES	32	624	966
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of Land, Buildings and Forest Estate		20	52
Purchase of Land, Buildings and Forest Estate		(73)	(44)
Proceeds from sale Plant and Equipment		31	35
Purchase of Plant and Equipment		(73)	(74)
Proceeds from Infrastructure		3	6
Purchase of Infrastructure		(115)	(110)
Proceeds from Other Assets		4	2
Purchase of Other Assets		(9)	(7)
Net Purchase of Investments		17	133
Net Customer Loans Repaid		2	(31)
Other Payments		(69)	(156)
NET CASH USED IN INVESTING ACTIVITIES		(262)	(194)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(116)	(144)
Net Increase (Decrease) in Deposits		....	25
Finance Lease Principal Repayments		(2)	(1)
NET CASH USED IN FINANCING ACTIVITIES		(118)	(120)
NET CASH FLOWS USED BY FINANCIAL INSTITUTIONS	33	(681)	(293)
NET INCREASE/(DECREASE) IN CASH HELD		(437)	359
Cash at Beginning of Reporting Period		763	404
CASH HELD AT 30 JUNE 2001	34	326	763

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 "deprival value" approach).

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

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standard AAS 1 Statement of Financial Performance, the new AAS 36 Statement of Financial Position and AAS 36 Self Generating and Regenerating Assets.

In 2000-01, non-current physical assets are all measured on a gross basis ie. the gross value before depreciation. In previous years non-current physical assets were measured on both a gross and net basis.

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. In these statements, the Division is included in the general government sector, consistent with the State Budget Papers. The Australian Bureau of Statistics has reclassified the Division from the public trading enterprise sector to the general government sector. Under the Uniform Presentation Framework this will be effective from 2002-03. In the meantime, the Division is classified as a public trading enterprise.

Specific details of the entities consolidated by the State are shown in Note 37.

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 2001, 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 Enterprises Sector*

The primary function of enterprises in the government public trading 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 Enterprises Sector*

The public financial enterprises 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 28 and 29 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 as there is dissimilarity between general government activities and those of public entities in the public trading enterprises and the public financial enterprises 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.

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 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.

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.

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 2000-01.

<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	20 - 50 years
Roads	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 Statement of Financial Performance. Any permanent diminution in the market value of an investment is taken to the Statement of Financial Performance.

Entities required to report under Australian Accounting Standard AAS26 *Financial Reporting by 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 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.

The forest estate comprised 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 2000-01 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. They have no values 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 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 28B.

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

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. General Government values its borrowing portfolio at historical capital cost.

The Public Trading Enterprise sector generally values its borrowings at historical cost. The majority of the Public Financial Enterprise 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 the 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 growth rate in the Consumer Price Index and estimated periods of service. Further detail on the superannuation liability is provided in Note 26.

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 29.

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 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.

Hydro Tasmania has changed its accounting treatment relating to interest rate swaps. Previously, realised gains and losses on the early termination of interest rate swaps were transferred to the Statement of Financial Performance. Effective from 2000-01, in accordance with Urgent Issues Group pronouncement UIG Abstract 29 – Early Termination of Interest Rate Swaps, Hydro Tasmania is amortising the realised gains and losses over the life of the underlying physical loan. Where the loan is terminated prior to maturity, any unamortised gains or losses will be 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.

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 2001**

	<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	593	....	....	(78)	515
Fines and Regulatory Fees	36	....	....	....	36
Investment Income	156	6	476	(351)	287
Grants	1 646	41	....	(41)	1 646
Sales of Goods and Services	287	1 072	85	(39)	1 405
Net Revenue from Disposal of Physical Assets	(14)	(2)	....	....	(16)
Fair Value of Assets Received Free of Charges or for Nominal Consideration	2	....	....	....	2
Other Revenues	36	43	10	(9)	80
TOTAL REVENUE	2 742	1 160	571	(518)	3 955
EXPENSES					
Employee Entitlements	1 062	191	3	(9)	1 247
Superannuation	233	34	....	(1)	266
Depreciation	144	165	1	....	310
Interest and Other Finance Costs	121	128	436	(239)	446
Grants and Transfer Payments	420	10	2	(34)	398
Supplies and Consumables	581	273	110	(16)	948
Cost of Goods Sold	29	41	....	....	70
Other Expenses	111	236	....	(15)	332
TOTAL EXPENSES	2 701	1 078	552	(314)	4 017
OPERATING SURPLUS BEFORE ABNORMAL AND EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENT AND DIVIDENDS	41	82	19	(204)	(62)
Abnormal Items	....	....	....	....	....
Extraordinary Items	....	....	....	....	....
Income Tax Equivalent	....	(67)	(3)	71	....
Dividends	....	(78)	(7)	85	....
OPERATING SURPLUS/(DEFICIT) AFTER ABNORMAL AND EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENT AND DIVIDENDS	41	(63)	9	(49)	(62)

Note 2 – Disaggregated Information (continued)**Disaggregated Statement of Financial Performance 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	396	(369)	174
Grants	1 384	40	....	(41)	1 383
Sales of Goods and Services	183	1 061	85	(34)	1 295
Net Revenue from Disposal of Physical Assets	(8)	....	....	....	(8)
Fair Value of Assets Received Free of Charges or for Nominal Consideration	14	....	....	....	14
Other Revenues	131	9	12	(2)	150
TOTAL REVENUE	2 643	1 120	493	(528)	3 728
EXPENSES					
Employee Entitlements	987	172	3	(8)	1 154
Superannuation	63	29	....	(1)	91
Depreciation	137	160	1	....	298
Interest and Other Finance Costs	153	160	365	(271)	407
Grants and Transfer Payments	448	14	2	(61)	403
Supplies and Consumables	478	290	108	(4)	872
Other Expenses	84	223	2	(48)	261
TOTAL EXPENSES	2 350	1 048	481	(393)	3 486
OPERATING SURPLUS BEFORE ABNORMAL AND EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENT AND DIVIDENDS	293	72	12	(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	384	(86)	(1)	(36)	261

Note 2 – Disaggregated Information (continued)**Disaggregated Statement of Financial Position as at 30 June 2001**

	<u>General Government</u>	<u>Public Trading</u> <u>Enterprises</u>	<u>Public Financial</u> <u>Enterprises</u>	<u>Inter-Sector</u> <u>Eliminations</u>	<u>Consolidated</u>
	\$ million	\$ million	\$ million	\$ million	\$ million
ASSETS					
Current Assets					
Cash	767	36	....	(776)	27
Investments	57	53	2 087	(1 326)	871
Receivables	74	127	1	(3)	199
Prepayments	4	16	....	(1)	19
Accrued Revenue	2	1	....	....	3
Tax Assets	8	2	1	(1)	10
Other Current Assets	11	47	98	(46)	110
Total Current Assets	923	282	2 187	(2 153)	1 239
Non-Current Assets					
Investments	959	30	3 182	(2 666)	1 505
Receivables	1	....	2	(2)	1
Land, Buildings, Forest Estate	2 849	909	50	....	3 808
Plant and Equipment	225	257	2	....	484
Infrastructure	2 421	4 396	....	....	6 817
Tax Assets	....	22	9	(31)	....
Other Non-current Assets	9	2	84	....	95
Total Non-Current Assets	6 464	5 616	3 329	(2 699)	12 710
TOTAL ASSETS	7 387	5 899	5 515	(4 852)	13 949
LIABILITIES					
Current Liabilities					
Payables	42	63	2	(3)	104
Borrowings	976	314	2 468	(2 109)	1 649
Employee Entitlements	135	47	1	....	183
Superannuation	103	39	....	....	142
Accrued Expenses	59	36	87	(54)	128
Tax Liabilities	1	18	6	(21)	4
Other Current Liabilities	6	94	130	(84)	146
Total Current Liabilities	1 322	611	2 694	(2 271)	2 356
Non-Current Liabilities					
Borrowings	942	1 231	2 296	(1 813)	2 656
Employee Entitlements	191	9	....	....	200
Superannuation	1 587	256	1	....	1 844
Tax Liabilities	....	201	4	(205)	....
Other Non-current Liabilities	....	5	451	....	456
Total Non-Current Liabilities	2 720	1 702	2 752	(2 018)	5 156
TOTAL LIABILITIES	4 042	2 313	5 446	(4 289)	7 512
NET ASSETS	3 345	3 586	69	(563)	6 437

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	633	46	3	(637)	45
Investments	58	93	1 697	(803)	1 045
Receivables	57	120	....	(5)	172
Prepayments	2	3	....	....	5
Tax Assets	....	2	6	(8)	....
Accrued Revenue	5	2	1	(1)	7
Other Current Assets	9	40	142	(60)	131
Total Current Assets	764	306	1 849	(1 514)	1 405
Non-Current Assets					
Investments	925	23	3 453	(3 012)	1 389
Receivables	....	....	2	(2)	....
Tax Assets	....	19	8	(27)	....
Land, Buildings, Forest Estate	2 895	874	51	....	3 820
Plant and Equipment	202	217	2	....	421
Infrastructure	2 456	4 328	....	....	6 784
Other Non-current Assets	7	....	124	....	131
Total Non-Current Assets	6 485	5 461	3 640	(3 041)	12 545
TOTAL ASSETS	7 249	5 767	5 489	(4 555)	13 950
LIABILITIES					
Current Liabilities					
Payables	39	58	5	(3)	99
Borrowings	734	222	1 875	(1 454)	1 377
Employee Entitlements	167	50	1	....	218
Superannuation	99	28	....	....	127
Tax Liabilities	....	9	....	(9)	....
Accrued Expenses	67	42	109	(65)	153
Other Current Liabilities	6	96	146	(83)	165
Total Current Liabilities	1 112	505	2 136	(1 614)	2 139
Non-Current Liabilities					
Borrowings	1 206	1 370	2 895	(2 200)	3 271
Employee Entitlements	144	5	....	....	149
Superannuation	1 490	261	1	....	1 752
Tax Liabilities	....	181	11	(192)	....
Other Non-current Liabilities	18	3	380	(13)	388
Total Non-Current Liabilities	2 858	1 820	3 287	(2 405)	5 560
TOTAL LIABILITIES	3 970	2 325	5 423	(4 019)	7 699
NET ASSETS	3 279	3 442	66	(536)	6 251

Note 3 – Taxation Revenue

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Payroll Tax	152	136
Land Tax	26	25
Motor Vehicle Taxes and Fees	96	63
Financial Transaction Taxes	148	164
Safety Net Revenues	....	176
Gambling Taxes	60	79
Fire Service Levies	27	25
Other	6	1
Total Taxation Revenue	515	669

Note 4 – Investment Income

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Interest	275	170
Dividends	5	3
Other	7	1
Total Investment Income	287	174

Note 5 – Grants

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Commonwealth General Purpose Grants	1 176	819
Commonwealth Special Purpose Grants	404	506
Commonwealth Capital Grants	52	51
Other	14	7
Total Grants	1 646	1 383

Note 6 – Sales of Goods and Services

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Sale of Goods	165	161
Sale of Services	1 240	1 134
Total Sales of Goods and Services	1 405	1 295

Note 7 – Net Revenue from Disposal of Physical Assets

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Proceeds from Disposal of Physical Assets	63	60
Deduct written down value of assets sold	(79)	(68)
Total Net Revenue from Disposal of Physical Assets	(16)	(8)

Note 8 – Other Revenues

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Forest Valuation Increment	32	....
Other	48	150
Total Other Revenues	80	150

Note 9 – Employee Entitlements

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Salaries and Wages	1 194	1 105
Long Service Leave	24	22
Workers' Compensation Contributions	23	23
Other	6	4
Total Employee Entitlements	1 247	1 154

Note 10 – Depreciation

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Depreciation in respect of:		
Buildings	53	48
Plant and Equipment	55	50
Infrastructure	200	196
Other	2	4
Total Depreciation	310	298

Note 11 – Interest and Other Finance Costs

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Interest on Borrowings	414	404
Other Finance Costs	32	3
Total Interest and Other Finance Costs	446	407

Note 12 – Supplies and Consumables

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Concessions	26	24
Advertising and promotion	22	22
MAIB specific expenses	107	102
Consultants	53	67
Maintenance and property services	169	128
Communications	42	....
Information Technology	51	51
Travel and Transport	24	46
Medical, Surgical and Pharmacy Supplies	72	30
Other	382	402
Total Supplies and Consumables	948	872

Note 13 – Other Expenses

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Asset Write Downs	47	....
TOTE Payouts on Winning Wagers	181	188
Other	104	73
Total Other Expenses	332	261

Note 14 – Abnormal Items

	<i>2001</i>	<i>2000</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)
Various other abnormal items	(4)
Total Abnormal Items	21

Note 15 – Extraordinary Items

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Tas Dairy Industry Authority– loss on transfer of assets	(1)
Tas Dairy Industry Authority – staff redundancies	(1)
Total Extraordinary Items	(2)

Note 16 – Investments

Current Investments	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Loan Advances	51	101
Short Term Deposits, Bills and Other Securities	589	875
Unsettled Forward Transactions	160	....
Equity Investments	71	69
Total Current Investments	871	1 045
Non-Current Investments	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Loan Advances	229	247
Short Term Deposits, Bills and Other Securities	1 253	1 135
Equities from a Prescribed Stock Exchange	....	2
Other	23	5
Total Non-Current Investments	1 505	1 389

Note 17 – Receivables

Current Receivables	2001	2000
	\$ m	\$ m
Trade Receivables	140	125
Other	86	69
	<u>226</u>	<u>194</u>
Less provision for doubtful debts	(27)	(22)
Total Current Receivables	<u>199</u>	<u>172</u>
Non-Current Receivables	2001	2000
	\$ m	\$ m
Trade Receivables	....	....
Other	1	....
	<u>1</u>	<u>....</u>
Less provision for doubtful debts	....	....
Total Non-Current Receivables	<u>1</u>	<u>....</u>

Note 18 – Other Assets

Current Other Assets	2001	2000
	\$ m	\$ m
Forest Estate Inventories	19	17
Other Inventories	27	26
Deferred buy back losses	....	4
Stock Lending	....	21
Swap Prepayments	6	....
Cross Currency Swap Receivables	2	....
Accrued Interest	45	50
Other	11	13
Total Current Other Assets	<u>110</u>	<u>131</u>
Non-Current Other Assets	2001	2000
	\$ m	\$ m
Cross Currency Swap Receivables	78	95
Swap Prepayments	5	26
Deferred buy back losses	....	4
Other	12	6
Total Non-Current Other Assets	<u>95</u>	<u>131</u>

Note 19 – Land, Buildings, Forest Estate

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Land at cost or valuation	759	773
Buildings at cost or valuation	2 909	2 945
Less Accumulated Depreciation	(642)	(639)
	<u>2 267</u>	<u>2 306</u>
Forest Estate at valuation	915	869
Less Accumulated Depreciation	(133)	(128)
	<u>782</u>	<u>741</u>
Total Land, Buildings, Forest Estate	<u>3 808</u>	<u>3 820</u>

Note 20 – Plant and Equipment

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Plant and Equipment at cost or valuation	804	749
Less Accumulated Depreciation	(320)	(328)
Total Plant and Equipment	<u>484</u>	<u>421</u>

Note 21 – Infrastructure

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Infrastructure at cost or valuation	11 102	7 680
Less Accumulated Depreciation	(4 285)	(896)
Total Infrastructure	<u>6 817</u>	<u>6 784</u>

Note 22 – Reconciliation of Non-Current Physical Assets

	<i>Land, Buildings and Forest Estates</i>	<i>Plant and Equipment</i>	<i>Infrastructure</i>	<i>Total</i>
	<i>2001 \$ m</i>	<i>2001 \$ m</i>	<i>2001 \$ m</i>	<i>2001 \$ m</i>
Carrying amount at start of year	3 820	421	6 784	11 025
Add asset purchases	90	90	124	304
Less asset sales	(45)	(52)	....	(97)
Add/(Less) asset revaluations	46	11	108	165
Less Accumulated Depreciation	(55)	(55)	(200)	(310)
Other movements	(75)	65	(117)	(127)
Work in progress	27	3	118	148
Carrying amount at end of year	3 808	484	6 817	11 109

Note 23 – Payables

Current Payables	<i>2001 \$ m</i>	<i>2000 \$ m</i>
Trade Creditors	93	90
Other	11	9
Total Payables	104	99

Note 24 – Borrowings

Current Borrowings	2001	2000
	\$ m	\$ m
Non-Commonwealth Debt due to Commonwealth	1 613 36	1 260 117
Total Borrowings	1 649	1 377

Non-Current Borrowings	2001	2000
	\$ m	\$ m
Non-Commonwealth Debt due to Commonwealth	2 325 331	2 902 369
Total Borrowings	2 656	3 271

Note 25 – Employee Entitlements

Current Employee Entitlements	2001	2000
	\$ m	\$ m
Accrued salaries and wages	36	35
Annual leave	81	89
Long service leave	46	70
Workers' compensation	20	24
Total Employee Entitlements	183	218

Non-Current Employee Entitlements	2001	2000
	\$ m	\$ m
Accrued salaries and wages	....	2
Annual leave	2	1
Long service leave	165	119
Workers' compensation	33	27
Total Employee Entitlements	200	149

Note 26 – 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 2001, based on actuarial valuations, is summarised as follows:

<i>State's Unfunded liabilities under State Government schemes:</i>					
	<i>Retirement Benefits Act 1993</i>	<i>Parliamentary Superannuation Act 1985</i>	<i>Parliamentary Retiring Benefits Act 1985</i>	<i>Judges' Contributory Pensions Act 1968</i>	<i>Total Superannuation Liability</i>
	<i>2001</i>	<i>2001</i>	<i>2001</i>	<i>2001</i>	<i>2001</i>
	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>
Vested Benefits	3 383	20	8	18	3 429
Accrued Benefits	2 885	19	8	20	2 932
Less: Net Market Value of Plan Assets	933	6	7	...	946
Deficit	1 952	13	1	20	1 986
Classified as:					
Current	139	1	...	1	141
Non-current	1 813	12	1	19	1 845
Total	1 952	13	1	20	1 986

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:

	<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>2000</i>	<i>2000</i>	<i>2000</i>	<i>2000</i>	<i>2000</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	2 753
Less: Net Market Value of Plan Assets	860	7	7	...	874
Deficit	1 846	11	1	21	1 879
Classified as:					
Current	123	3	...	1	127
Non-current	1 723	8	1	20	1 752
Total	1 846	11	1	21	1 879

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 Accrued Benefit liability represents the total discounted value of all employees' entitlements as at 30 June 2001. 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 27 – Other Liabilities

Current Other Liabilities	2001 \$ m	2000 \$ m
Funds held in trust	9	9
Revenue received in advance	58	58
Provision for outstanding and unreported claims for MAIB	79	73
Stock Lending	....	21
Other	....	4
Total Other Liabilities	146	165
Non-Current Other Liabilities	2001 \$ m	2000 \$ m
Provision for outstanding and unreported claims for MAIB	399	372
Cross Currency Swap Payables	53	8
Other	4	8
Total Other Liabilities	456	388

Note 28 – Commitments

A. Commitments for Capital Expenditure

At 30 June 2001, 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.

	2001 \$ m	2000 \$ m
Not later than 1 year	47	93
Later than 1 year and no later than 5 years	52	244
Later than 5 years	21	....
Total	120	337

B. Operating Lease Commitments

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

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Not later than 1 year	137	118
Later than 1 year and not later than 5 years	134	167
Later than 5 years	155	115
Total	426	400

C. Finance Lease Commitments

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

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
<i>Lease commitments:</i>		
Not later than 1 year	2	2
Later than 1 year and not later than 5 years	5	2
Later than 5 years	1	6
<i>Minimum lease payments</i>	8	10
<i>Deduct: future finance charges</i>	(1)	(5)
Finance Lease Liability	7	5

D. Other Commitments

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

	<i>2001</i>	<i>2000</i>
	<i>\$ m</i>	<i>\$ m</i>
Not later than 1 year	31	....
Later than 1 year and not later than 5 years	77	....
Later than 5 years	167	....
Total	275	....

Note 29 – Contingent Liabilities

Contingent liabilities represent items that, at 30 June 2001, 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 Government Enterprises 2001 \$ m	Public Trading Enterprises 2001 \$ m	Public Financial Enterprises 2001 \$ m	Total 2001 \$ m
Guarantees	8	3	....	11
Claims relating to insurance (excluding claims by employees for personal injuries)	....	1	....	1
Deferred Start Swaps:				
Receive Fixed	....	....	85	85
Pay Fixed	....	....	150	150
Forward rate Agreement	....	....	10	10
Other:				
Aurora Energy Pty Ltd various property loss and personal injury (excluding employee claims)	....	1	....	1
Total Contingent Liabilities – Quantifiable	8	5	245	258

Nature of Contingency	General Government Enterprises 2000 \$ m	Public Trading Enterprises 2000 \$ m	Public Financial Enterprises 2000 \$ m	Total 2000 \$ 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
Forward rate Agreement	....	....	....	....
Other:				
Aurora Energy Pty Ltd various property loss and personal injury (excluding employee claims)	....	1	....	1
Total Contingent Liabilities – Quantifiable	9	1	209	219

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;
- claims against the Department of State Development relating to:
 - litigation with K M Booth and K D Conochie in a claim for negligent advice;
 - litigation with V J Robinson, of Cox Miller and Robinson, (now Deloitte Touche Consulting Group) in an action initiated for negligent conduct and negligent advice;
- claim against the Department of Premier and Cabinet relating to a claim for personal injury; and
- claims against the Port Arthur Historic Site Management Authority relating to the tragedy of April 1996.

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 30 – Compliance with Appropriations

In conformity with Australian Accounting Standard AAS 29 '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 2001.

Note 31 – 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 2000 and 30 June 2001 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		
			2001 \$ m	2001 \$ m	2001 \$ m	2001 \$ m		
Financial Assets								
Cash		N/A	22	4	....	....	1	27
Investments	16	5.88	775	564	161	675	201	2 376
Receivables	17	N/A	8	70	23	27	72	200
Cross Currency Swap Receivables		(1.36)	(344)	3	270	151	....	80
			461	641	454	853	274	2 683
Financial Liabilities								
Payables	23	N/A	20	37	....	....	47	104
Borrowings	24	6.12	921	695	1 927	746	16	4 305
Cross Currency Swap Payables		10.08	(184)	....	....	237	....	53
			757	732	1 927	983	63	4 462

	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	16	6.36	782	707	225	603	117	2 434	
Receivables	17	N/A	16	16	24	36	80	172	
Cross Currency Swap Receivables		(7.32)	(399)	88	221	185	....	95
			430	825	470	824	197	2 746	
Financial Liabilities									
Payables	23	N/A	21	21	....	....	57	99
Borrowings	24	7.31	682	885	2 226	855	....	4 648
Cross Currency Swap Payables		1.56	(182)	....	....	....	191	9
			521	906	2 226	855	248	4 756	

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 2001 \$ m	Investments 2001 \$ m	Swaps 2001 \$ m	Net exposure 2001 \$ m
Japanese Yen	423	....	(423)	....
US Dollars	....	275	(275)	....
German Deutschmarks	....	42	(42)	....
Total	423	317	(740)	....

	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)	....

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 2001 \$ m	Exposure 2000 \$ m
Interest rate swaps	68	83
Futures contracts	....	2
Foreign exchange contracts	179	177
Total	247	262

Net Fair Value

The carrying amounts and estimated fair values of recognised financial instruments held at 30 June 2000 and 30 June 2001 are as follows:

	Net Fair Value 2001 \$ m	Carrying Value 2001 \$ m
Financial Assets		
Cash	27	27
Investments	2 437	2 376
Receivables	200	200
Total Financial Assets	2 664	2 603
Financial Liabilities		
Payables	104	104
Borrowings	4 431	4 305
Total Financial Liabilities	4 535	4 409

	Net Fair Value 2000 \$ m	Carrying Value 2000 \$ 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	5 178	4 648
Total Financial Liabilities	5 277	4 747

Note 32 – Reconciliation of Net Cash Flow from Operating Activities to Operating Surplus

	2001 \$ m	2000 \$ m
Operating Surplus (excluding public financial institutions)	121	460
Non-Cash Movements		
Depreciation and Amortisation	310	298
Net Revenue from Sale of Physical Assets	15	8
Abnormal Expenses	....	136
Increase/(Decrease) in Payables	4	(41)
Increase/(Decrease) in Employee Entitlements	15	20
Increase/(Decrease) in Superannuation	107	(38)
Increase/(Decrease) in Accrued Expenses	(3)	18
Increase/(Decrease) in Other Liabilities/Provisions	31	20
(Increase)/Decrease in Receivables	(28)	67
(Increase)/Decrease in Prepayments	(14)	1
(Increase)/Decrease in Accrued Revenue	4	8
(Increase)/Decrease in Other Assets	(14)	11
(Increase)/Decrease in Tax Assets	(6)	....
Adjustment for other Non-Cash Items	(8)	(2)
NET CASH FROM OPERATING ACTIVITIES	534	966

Note 33 – Statement of Cash Flows of Financial Institutions

	2001	2000
	\$ m	\$ m
	<i>Inflows</i>	<i>Inflows</i>
	<i>(Outflows)</i>	<i>(Outflows)</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts		
Interest Received	212	246
Other Receipts	....	(1)
Payments		
Employee Entitlements	(1)	(1)
Interest Paid	(473)	(473)
Other Payments	(2)	(2)
NET CASH USED IN OPERATING ACTIVITIES	(264)	(231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Investments	(326)	(42)
NET CASH USED IN INVESTING ACTIVITIES	(326)	(42)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase/(Decrease) in Deposits	26	32
Net Borrowings	(117)	(52)
NET CASH USED IN FINANCING ACTIVITIES	(91)	(20)
NET CASH FLOWS USED BY FINANCIAL INSTITUTIONS	(681)	(293)

Note 34 – Closing Cash and Cash Equivalents

	2001	2000
	\$ m	\$ m
DEPOSITS AT CALL		
Financial Institutions		
Cash	(1)	1
Investments at Call	....	282
Advances at Call	16	18
Short Term Securities	347	486
Borrowings at Call	(20)	(30)
Deposits at Call	(43)	(39)
Other Entities	27	45
CASH AND CASH EQUIVALENTS HELD AT 30 JUNE 2001	326	763

Note 35 - Reconciliation of Changes in Equity

	Total	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves
	<i>2001</i>	<i>2001</i>	<i>2001</i>	<i>2001</i>
	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>
Balance at beginning of reporting period	6 251	2 701	2 437	1 113
Operating surplus/(deficit)	(62)	(62)	....	....
Transfers to reserves	....	....	....	....
Transfers from reserves	(1)	....	....	(1)
Revaluation increments	219	....	219	....
Revaluation decrements	(1)	....	(1)	....
Other movements	3	93	(61)	(1)
Balance at end of reporting period	6 437	2 733	2 594	1 111

Note 36 –Asset Revaluation Reserve

	<i>Opening Balance</i>	<i>Revaluation Increments</i>	<i>Revaluation Decrements</i>	<i>Closing Balance</i>
	<i>2001</i>	<i>2001</i>	<i>2001</i>	<i>2001</i>
	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>
Land, Buildings and Forest Estates	701	44	(1)	744
Plant and Equipment	5	19	....	24
Infrastructure	1 668	155	....	1 823
Other	63	1	(61)	3
Total	2 437	219	(62)	2 594

Note 37 – Details of controlled entities

During the year ended 30 June 2001, a number of changes occurred to the structure of entities controlled by the State.

The Egg Marketing Board ceased commercial operations on 30 April 2001. Pure Foods Ltd entered into a purchase agreement from 1 May 2001 and from that date took over the Board's responsibility to receive and process surplus eggs. All plant, packaging stock and egg product stocks have been sold to Pure Foods.

Tote Tasmania Pty Ltd was incorporated on 5 March 2001 under the *Tote Tasmania Act 2000*. The company continued to perform the operations formerly conducted by the Totalisator Agency Board (TAB) in the State of Tasmania. On incorporation, the assets and liabilities of the TAB were transferred to the company. The operations formerly conducted by the TAB prior to incorporation have not been significantly changed.

The Nominal Insurer became a material entity as a result of the collapse of HIH Insurance Ltd. The Nominal Insurer will manage the outstanding liability for workers' compensation for injured Tasmanian workers. It will impose a levy on all workers' compensation premiums and the notional premiums of self-insurers and borrow funds or enter into other arrangements to "smooth-out" the outstanding HIH claims liability. The "smoothing" of the liability will allow employers, licenced insurers and self-insurers to plan for any costs resulting from the collapse of HIH.

TAFE Tasmania and the Home Ownership Assistance Program (HOAP) have been moved from the Public Trading Enterprise sector (PTE) and the Public Financial Enterprise sector (PFE) respectively to the General Government sector (GGE). These changes bring the AAS31 sectors into alignment with the sectors for Government Finance Statistics (GFS) reporting.

The following controlled entities of the State are included in the consolidated financial report for the year ended 30 June 2001.

General Government

Department of Education
Department of Health and Human Services (including 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
TAFE Tasmania
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 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
TB No. 1 Limited
The Public Trustee
TOTE Tasmania
Transend Networks Pty Ltd
TT-Line Company Pty Ltd

Public Financial Enterprises

Motor Accidents Insurance Board (MAIB)
Tasmanian Public Finance Corporation (Tascorp)
The Nominal Insurer

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.