



Tasmania

**CONSOLIDATED
FINANCIAL
STATEMENTS
FOR THE STATE
OF TASMANIA
2001-02**

Department *of* Treasury *and* Finance
December 2002

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INTRODUCTION

ANALYSIS OF TOTAL STATE SECTOR OPERATING RESULT

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

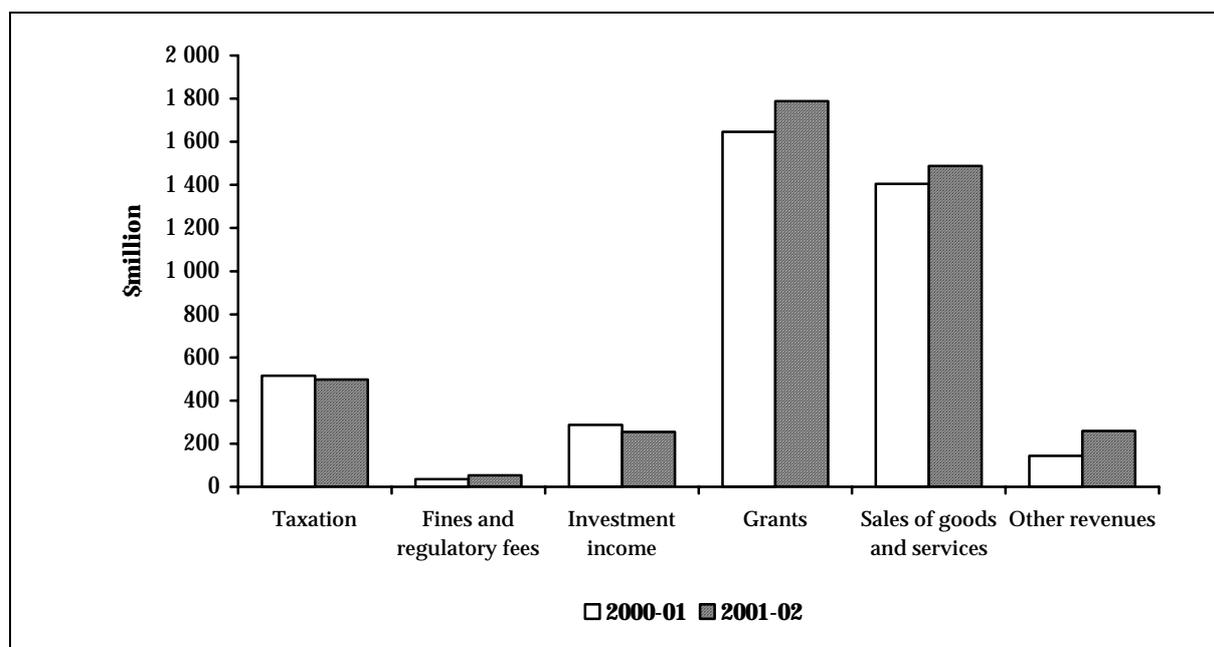
The 2001-02 operating result shows a surplus of \$76 million, an increase of \$138 million from the deficit of \$62 million recorded in 2000-01, as a result of an increase of \$306 million in revenues, offset by an increase of \$168 million in expenses.

Revenues

Total revenues for the year ended 30 June 2002 were \$4 339 million, an increase of \$306 million, or 7.6 per cent, over the previous year. Increased revenue arose from increases in grants (\$142 million), revenue arising from the revaluation of assets (\$72 million), sales of goods and services (\$83 million), and other revenues (\$27 million). These increases were partially offset by a reduction in taxation revenue (\$18 million).

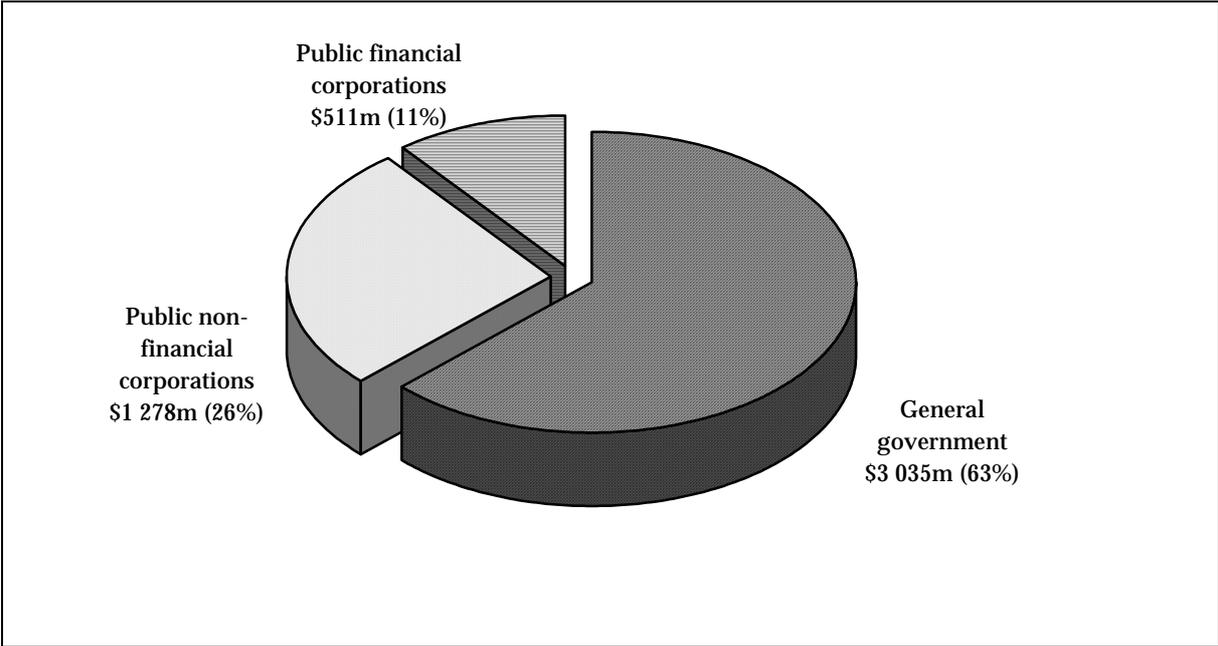
Total revenues by category for 2000-01 and 2001-02 are shown in figure 1.

Figure 1: Total revenues by category



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

Figure 2: Disaggregated sector revenues

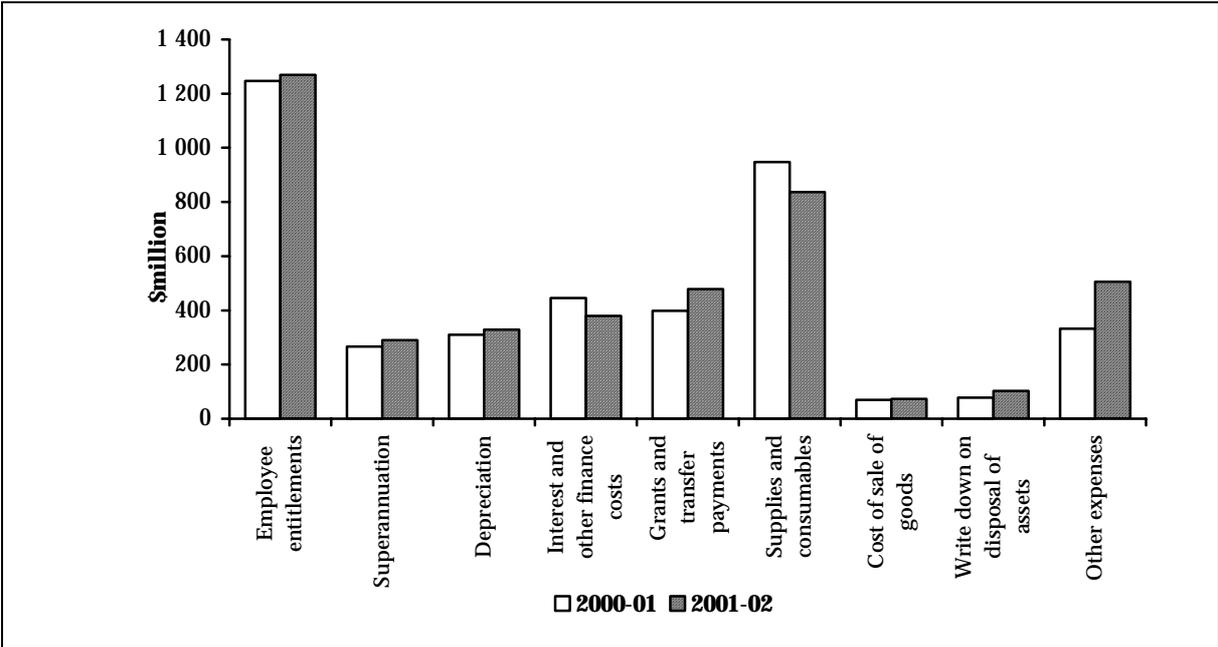


Expenses

Total expenses for the year ended 30 June 2002 were \$4 263 million, an increase of \$168 million, or 4.1 per cent over the previous year. The major factor contributing to the change is an increase of \$81 million in grants paid to the community, including \$41 million in payments from the First Home Owners Grants Scheme, \$10 million in grants to non-government schools and other increases in grants to the community. Other factors include a \$21 million expense arising from the write down of assets, and an increase in other expenses of \$66 million.

Expenses by category for 2000-01 and 2001-02 are shown in figure 3.

Figure 3: Total expenses by category

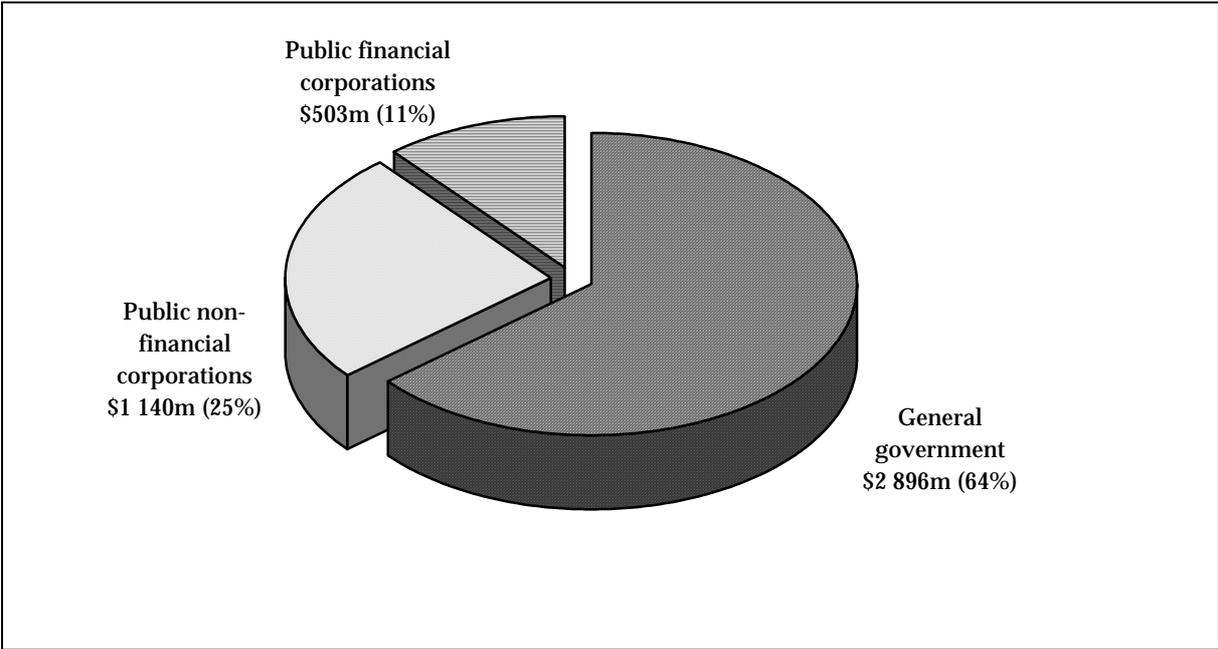


Employee Entitlements

The majority of expenses of the State relate to costs of employment. Employee entitlements primarily consist of salaries and wages and represent 30 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 (28.6 per cent) and the Department of Health and Human Services (29.3 per cent).

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

Figure 4: Disaggregated sector expenses



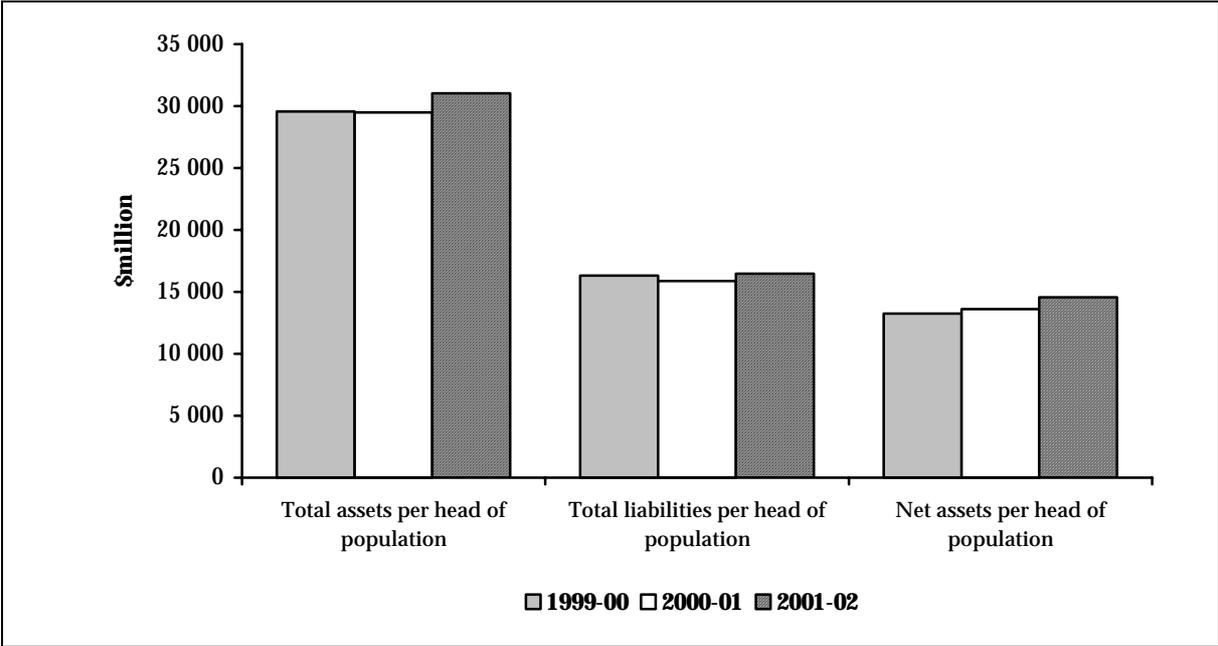
OVERVIEW OF THE STATE'S FINANCIAL POSITION

As at 30 June 2002, total assets of \$14,694 million exceeded total liabilities of \$7,798 million, resulting in net assets of \$6,896 million. This compares with \$6,437 million net assets for the previous year.

Based on an estimated Tasmanian population of 473,500 at 30 June 2002, the net assets per head of population was \$14,563, an increase of 7 per cent over the previous year.

Figure 5 depicts net assets per head of population.

Figure 5: Net assets per head of population

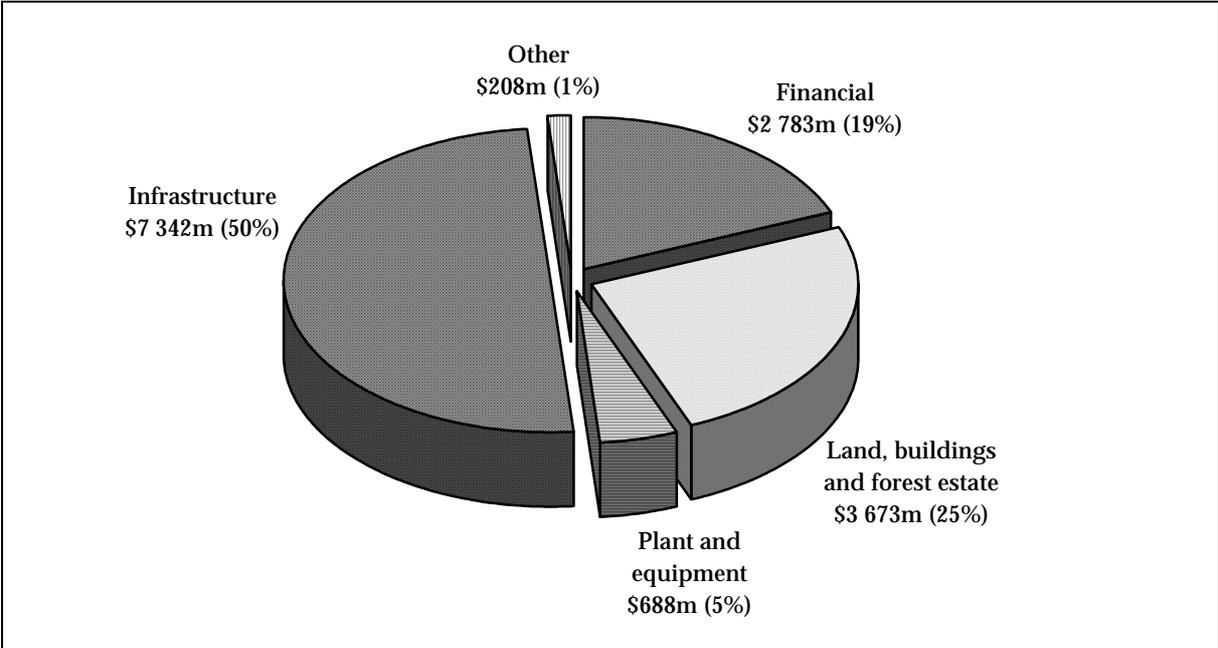


Assets

Total assets amounted to \$14 694 million as at 30 June 2002, an increase of \$745 million from the previous year. Total assets consist of current assets of \$1 244 million and non-current assets of \$13 450 million.

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

Figure 6: Total assets by category

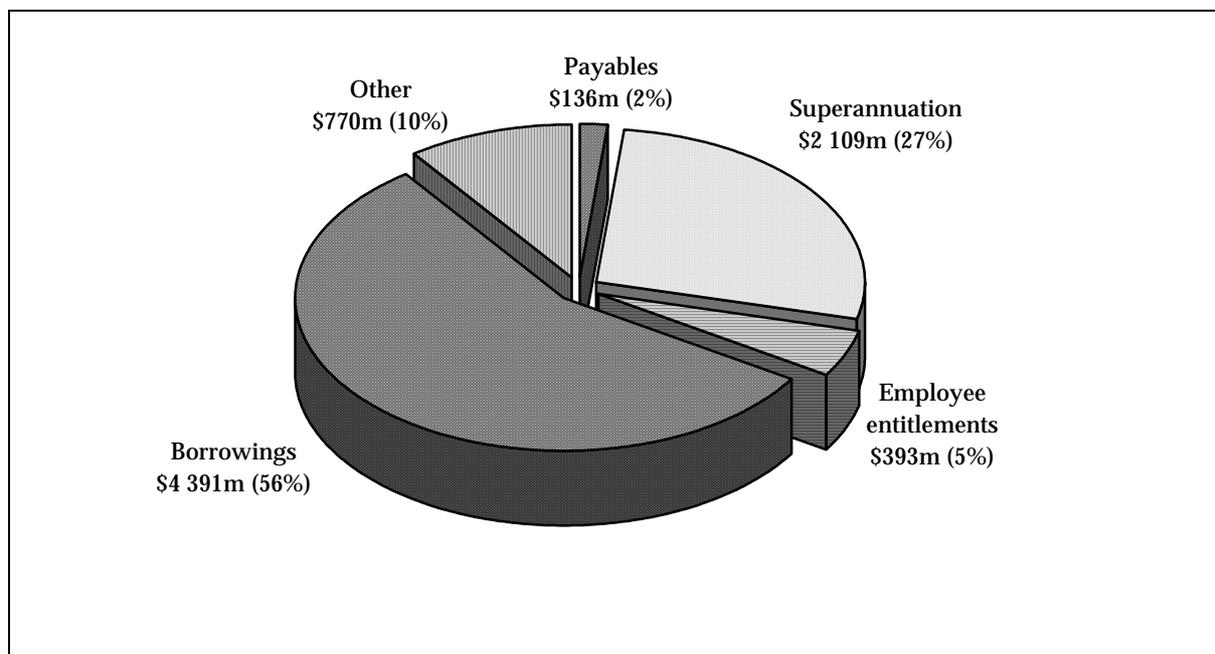


Liabilities

Total liabilities amounted to \$7 798 million as at 30 June 2002, (a increase of \$286 million, or 4 per cent from the previous year). Total liabilities consist of current liabilities of \$2 457 million and non-current liabilities of \$5 341 million.

Total liabilities by category are shown in figure 7.

Figure 7: Total liabilities by category



AUDITED FINANCIAL STATEMENTS

STATEMENT OF CERTIFICATION

STATE OF TASMANIA

CONSOLIDATED FINANCIAL STATEMENTS

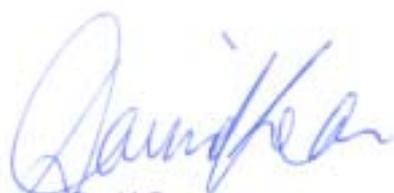
STATEMENT OF CERTIFICATION

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

In our opinion, the Statements:

- fairly present the operating results and cash flows of the State for the year ended 30 June 2002 and the financial position of the State as at 30 June 2002; and
- have been prepared in accordance with applicable Australian Accounting Standards, in particular AAS 31 *Financial Reporting by Governments* and Urgent Issues Group Consensus Views.

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



David Crean
TREASURER



D W Challen
SECRETARY
Department of Treasury and Finance

18 December 2002

OPINION OF THE AUDITOR-GENERAL

INDEPENDENT AUDIT REPORT

To the Treasurer of Tasmania

STATE OF TASMANIA - CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

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 2002. 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 2002, and the results of its operations and its cash flows for the year then ended.



D W R Baulch
ACTING AUDITOR-GENERAL
18 December 2002

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STATEMENT OF FINANCIAL PERFORMANCE

	Note	2001-02	2000-01
		\$m	\$m
Revenues			
Taxation	3	497	515
Fines and regulatory fees		53	36
Investment income	4	254	287
Grants	5	1 788	1 646
Sales of goods and services	6	1 488	1 405
Proceeds from disposal of non-current assets		65	62
Fair value of assets received free of charge or for nominal consideration		3	2
Other revenues	7	191	80
Total revenues		4 339	4 033
Expenses			
Employee entitlements	8	1 269	1 247
Superannuation	23	290	266
Depreciation	9	329	310
Interest and other financing costs	10	379	446
Grants and transfer payments		479	398
Supplies and consumables	11	837	948
Cost of sale of goods		73	70
Write down on disposal of non-current assets		102	78
Other expenses	12	505	332
Total expenses		4 263	4 095
OPERATING SURPLUS		76	(62)

STATEMENT OF FINANCIAL POSITION

	Note	2001-02	2000-01
		\$m	\$m
Assets			
Current assets			
Cash		27	27
Investments	13	862	871
Receivables	14	205	199
Prepayments		9	19
Accrued revenue		33	3
Tax assets		12	10
Other current assets	15	96	110
Total current assets		1 244	1 239
Non-current assets			
Investments	13	1 663	1 505
Receivables	14	26	1
Land, buildings and forest estate	16	3 673	3 808
Plant and equipment	17	688	484
Infrastructure	18	7 342	6 817
Other non-current assets	15	58	95
Total non-current assets		13 450	12 710
Total assets		14 694	13 949
Liabilities			
Current liabilities			
Payables	20	110	104
Borrowings	21	1 669	1 649
Employee entitlements	22	192	183
Superannuation	23	163	142
Accrued expenses		152	128
Tax liabilities		4	4
Other current liabilities	24	167	146
Total current liabilities		2 457	2 356
Non-current liabilities			
Payables	20	26	....
Borrowings	21	2 722	2 656
Employee entitlements	22	201	200
Superannuation	23	1 946	1 844
Other non-current liabilities	24	447	456
Total non-current liabilities		5 341	5 156
Total liabilities		7 798	7 512
NET ASSETS		6 897	6 438
Retained profits		2 924	2 733
Reserves		3 973	3 705
Total equity	32	6 897	6 438

STATEMENT OF CASH FLOWS

	Note	2001-02	2000-01
		\$m	\$m
Cash flows from operating activities			
Receipts			
Taxation		494	500
Fines and regulatory fees		67	36
Interest received		11	29
Grants		1 788	1 646
Sales of goods and services		1 343	1 418
GST receipts		161	166
Other receipts		241	48
Payments			
Employee entitlements		(1 264)	(1 227)
Superannuation		(120)	(131)
Interest paid		(16)	(14)
Grants and transfer payments		(443)	(398)
Supplies and consumables		(1 028)	(955)
GST payments		(178)	(183)
Other payments		(244)	(311)
NET CASH FROM OPERATING ACTIVITIES	29	812	624
Cash flows from investing activities			
Proceeds from sales of land, buildings and forest estate		30	20
Purchase of land, buildings and forest estate		(61)	(73)
Proceeds from sales of plant and equipment		33	31
Purchase of plant and equipment		(435)	(73)
Proceeds from sale of infrastructure		1	3
Purchase of infrastructure		(134)	(115)
Proceeds from other assets		2	4
Purchase of other assets		(7)	(9)
Net purchase of investments		(59)	17
Net customer loans repaid		15	2
Other payments		....	(69)
NET CASH USED IN INVESTING ACTIVITIES		(615)	(262)
Cash flows from financing activities			
Repayment of borrowings		(30)	(116)
Net increase/(decrease) in deposits		....	....
Finance lease principal repayments		(3)	(2)
NET CASH USED IN FINANCING ACTIVITIES		(33)	(118)
NET CASH FLOWS FROM FINANCIAL INSTITUTIONS	30	(157)	(681)
NET INCREASE/(DECREASE) IN CASH HELD		6	(437)
Cash at beginning of reporting period		326	763
CASH HELD AT 30 JUNE 2002	31	332	326

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Statement of significant accounting policies

The following summary sets out the significant accounting policies adopted in preparing the consolidated financial statements.

A. Compliance framework

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

B. Basis of accounting and measurement

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

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

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

In accordance with Australian Accounting Standards, the financial statements include all assets, liabilities, equities, revenues and expenses of the State, including those of entities controlled by the State as at 30 June 2002, or for part of the financial year ended on that date.

Uniform Presentation Framework

(a) General government sector

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

(b) Public non-financial corporations sector

The primary function of enterprises in the government public non-financial corporations sector is to provide goods and services within a competitive market which is non-regulatory and non-financial in nature. Such enterprises are financed mainly through sales to the consumer of goods and services.

(c) Public financial corporations sector

The public financial corporations sector comprises enterprises which are government controlled and which have one or more of the following characteristics:

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

D. Basis of consolidation

Reporting entities controlled by the State are consolidated within these consolidated financial statements.

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

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

E. Disaggregated information

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

- general government;
- public non-financial corporations; and
- public financial corporations.

This information is provided as there is dissimilarity between general government activities and those of public entities in the public non-financial corporations and the public financial corporations sectors. Disclosure of this information is to assist users of these financial statements in determining the effects of differing activities on the financial position of the State. It will also assist users in identifying the resources used in the provision of a range of goods and services and the extent to which the State has recovered the costs of those resources from revenues attributable to those activities.

For the purposes of presenting disaggregated financial information, the expected future income tax equivalents receivable from the public non-financial corporations and public financial corporations sectors has been recognised in the statements for the general government sector. This treatment of income tax equivalents receivable is a change from previous years, when income tax equivalents paid to the general government sector were recognised on a cash basis. As a result of the change, the general government sector disaggregated financial information reflects a decrease in income tax equivalent revenue of \$29 million, and a receivable of \$109 million. The change in treatment has no

impact on the Consolidated Financial Statements as all transactions related to income tax equivalents between sectors are eliminated on consolidation.

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.

Appropriations carried forward under section 8A of the *Public Account Act 1986*, totalling \$26 million, have been classified as income in advance as per the Treasurer's Instructions. These funds were previously classified as income in the year of receipt.

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.

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 2001-02.

<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

Cash and cash equivalents

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

Investments

Investments are generally carried at face value adjusted for unamortised discounts or premiums and unrealised exchange gains or losses. Discounts and premiums are amortised over the life of the related instrument on the basis of yield at purchase, with the amortisation being 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 non-financial corporations and public financial corporations 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 is comprised of timber resource (being land and standing timber) and roads. The forest crop is valued using a discounted cash flow method to derive a net present value in compliance with Australian Accounting Standard AAS 35 *Self Generating and Regenerating Assets*. Roads are valued at written down replacement cost. For more detail on the forest estate valuation, refer to the 2001-02 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 2001-02 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 in the Statement of Financial Performance systematically over the term of the lease.

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

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

J. Liabilities

Payables

This item consists predominantly of creditors and other sundry liabilities.

Borrowings

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

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

Valuation of borrowings

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

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

The public non-financial corporations sector generally values its borrowings at historical cost. The majority of the public financial corporations sector values its borrowings at face value adjusted for unamortised discounts or premiums and unrealised exchange gains or losses.

Employee entitlements

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

Superannuation

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

Other liabilities

Generally, other liabilities are recognised at the estimated amounts payable. However, a significant proportion of other liabilities 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 based on an actuarial valuation, measured as the present value of the expected future payments using statistics based on past experience and trends.

K. Commitments

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

L. Contingent liabilities

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

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

M. Foreign currency balances/transactions

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

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

N. Derivative financial instruments

Risk management

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

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 2001-02, 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. As a consequence, rounded figures may not add to totals.

P. Comparative information

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

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

	General Government	Public Non- Financial Corporations	Public Financial Corporations	Inter-Sector Eliminations	Consolidated
	\$m	\$m	\$m	\$m	\$m
Revenues					
Taxation	556	....	....	(59)	497
Fines and regulatory fees	53	....	....	....	53
Investment income	112	5	403	(266)	254
Grants	1 783	54	....	(49)	1 788
Sales of goods and services	224	1 189	107	(32)	1 488
Proceeds from disposal of non-current assets	49	16	....	....	65
Fair value of assets received free of charge or for nominal consideration	3	....	....	....	3
Other revenues	255	14	2	(79)	191
Total revenues	3 035	1 278	511	(485)	4 339
Expenses					
Employee entitlements	1 081	193	3	(9)	1 269
Superannuation	259	32	....	(1)	290
Depreciation	151	177	1	....	329
Interest and other financing costs	81	116	370	(188)	379
Grants and transfer payments	514	10	2	(48)	479
Supplies and consumables	598	247	18	(26)	837
Cost of sale of goods	34	38	....	....	73
Write down on disposal of non-current assets	86	17	....	....	102
Other expenses	91	309	109	(4)	505
Total expenses	2 896	1 140	503	(275)	4 263
OPERATING SURPLUS, BEFORE EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENTS AND DIVIDENDS	140	138	8	(210)	76
Income tax equivalent	....	(36)	(8)	44	....
Dividends	....	(84)	(5)	89	....
OPERATING SURPLUS/(DEFICIT), AFTER EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENTS AND DIVIDENDS	140	19	(5)	(77)	76

Note 2 – Disaggregated information (continued)

Disaggregated Statement of Financial Performance for the year ended 30 June 2001

	General Government	Public Non- Financial Corporations	Public Financial Corporations	Inter-Sector Eliminations	Consolidated
	\$m	\$m	\$m	\$m	\$m
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
Proceeds from disposal of non-current assets	(14)	(2)	....	....	(16)
Fair value of assets received free of charge or for nominal consideration	2	....	....	....	2
Other revenues	36	43	10	(9)	80
Total revenues	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 financing 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 sale of goods	29	41	....	....	70
Write down on disposal of non-current assets	....	....	....	....	....
Other expenses	111	236	....	(15)	332
Total expenses	2 701	1 078	552	(314)	4 017
OPERATING SURPLUS, BEFORE EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENTS AND DIVIDENDS	41	82	19	(204)	(62)
Income tax equivalent	....	(67)	(3)	70	....
Dividends	....	(78)	(7)	85	....
OPERATING SURPLUS/(DEFICIT), AFTER EXTRAORDINARY ITEMS, INCOME TAX EQUIVALENTS AND DIVIDENDS	41	(63)	9	(49)	(62)

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

	General Government	Public Non- Financial Corporations	Public Financial Corporations	Inter-Sector Eliminations	Consolidated
	\$m	\$m	\$m	\$m	\$m
Assets					
Current assets					
Cash	966	53	2	(994)	27
Investments	55	91	2 224	(1 508)	862
Receivables	280	119	7	(201)	205
Prepayments	4	7	....	(2)	9
Accrued revenue	2	32	....	(1)	33
Tax assets	8	14	....	(10)	12
Other current assets	10	45	106	(65)	96
Total current assets	1 325	359	2 339	(2 781)	1 244
Non-current assets					
Investments	1 000	27	3 470	(2 832)	1 663
Receivables	1	....	27	(2)	26
Land, buildings and forest estate	2 782	841	50	....	3 673
Plant and equipment	197	490	2	....	688
Infrastructure	2 674	4 667	....	....	7 342
Tax assets	....	102	14	(116)	....
Other non-current assets	9	3	46	....	57
Total non-current assets	6 663	6 131	3 607	(2 950)	13 450
TOTAL ASSETS	7 988	6 490	5 947	(5 731)	14 694
Liabilities					
Current liabilities					
Payables	36	69	2	2	110
Borrowings	847	345	2 776	(2 298)	1 669
Employee entitlements	144	47	1	....	192
Superannuation	119	44	....	....	163
Accrued expenses	45	82	75	(51)	152
Tax liabilities	1	13	3	(13)	4
Other current liabilities	5	118	140	(96)	167
Total current liabilities	1 198	718	2 997	(2 456)	2 457
Non-current liabilities					
Payables	....	....	26	....	26
Borrowings	1 011	1 484	2 397	(2 170)	2 722
Employee entitlements	190	11	....	....	201
Superannuation	1 687	258	1	....	1 946
Tax liabilities	....	210	2	(212)	....
Other non-current liabilities	....	16	431	....	447
Total non-current liabilities	2 888	1 979	2 856	(2 382)	5 341
TOTAL LIABILITIES	4 086	2 697	5 853	(4 838)	7 798
NET ASSETS	3 903	3 793	93	(893)	6 896

Note 2 – Disaggregated information (continued)

Disaggregated Statement of Financial Position for the year ended 30 June 2001

	General Government	Public Non- Financial Corporations	Public Financial Corporations	Inter-Sector Eliminations	Consolidated
	\$m	\$m	\$m	\$m	\$m
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 and 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	5 898	5 516	(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	3 585	70	(563)	6 437

Note 3 Taxation revenue

	2001-02	2000-01
	\$m	\$m
Payroll tax	140	152
Financial transaction taxes	136	148
Gambling taxes	67	60
Land tax	26	26
Motor vehicle tax and fees	97	96
Fire Service levies	30	27
Other taxation receipts	....	6
TOTAL	497	515

Note 4 Investment income

	2001-02	2000-01
	\$m	\$m
Interest	243	275
Dividends	5	5
Other	6	7
TOTAL	254	287

Note 5 Grants revenue

	2001-02	2000-01
	\$m	\$m
Commonwealth General Purpose grants	1 330	1176
Commonwealth Special Purpose grants	415	404
Commonwealth Capital grants	35	52
Other	9	14
TOTAL	1 788	1 646

Note 6 Sale of goods and services

	2001-02	2000-01
	\$m	\$m
Sale of goods	172	165
Sale of services – TOTE revenue from customer wagers	256	212
Sale of services – other	1 060	1 028
TOTAL	1 488	1 405

Note 7 Other revenues

	2001-02	2000-01
	\$m	\$m
Forest valuation increment	10	32
Revenue on revaluation of non-current assets	62	....
Other revenue	119	48
TOTAL	191	80

Note 8 Employee entitlements

	2001-02	2000-01
	\$m	\$m
Salaries and wages	1 238	1194
Long service leave	23	24
Workers' compensation contributions	4	23
Other	4	6
TOTAL	1 269	1 247

Note 9 Depreciation

	2001-02	2000-01
	\$m	\$m
Depreciation in respect of:		
Buildings	52	53
Plant and equipment	58	55
Infrastructure	216	200
Other	3	2
TOTAL	329	310

Note 10 Interest and other finance costs

	2001-02	2000-01
	\$m	\$m
Interest on borrowings	379	414
Other finance costs	....	32
TOTAL	379	446

Note 11 Supplies and consumables

	2001-02	2000-01
	\$m	\$m
Concessions	....	26
Advertising and promotion	25	22
Consultants	58	53
Maintenance and property services	183	169
Communications	42	42
Information technology	45	51
Travel and transport	31	24
Medical, surgical and pharmacy supplies	91	72
Other	362	489
TOTAL	837	948

Note 12 Other expenses

	2001-02	2000-01
	\$m	\$m
Asset write downs	45	47
TOTE payouts on winning wagers	219	181
MAIB specific expenses	88	....
Other	153	104
TOTAL	505	332

Note 13 Investments

	2001-02	2000-01
	\$m	\$m
Current investments		
Loan advances	66	51
Short term deposits, bills and other securities	579	589
Unsettled forward transactions	4	160
Equity investments	213	71
Total current investments	862	871
Non-current investments		
Loan advances	246	229
Short term deposits, bills and other securities	1 396	1 253
Unsettled forward transactions	....	....
Equity investments	22	23
Total non-current investments	1 663	1 505
TOTAL	2 526	2 376

Note 14 Receivables

	2001-02	2000-01
	\$m	\$m
Current receivables		
Trade receivables	174	140
Other	62	86
Less provision for doubtful debts	(30)	(27)
Total current receivables	205	199
Non-current receivables		
Trade receivables	25	....
Other	1	1
Less provision for doubtful debts	....	....
Total non-current receivables	26	1
TOTAL	227	200

Note 15 Other assets

	2001-02	2000-01
	\$m	\$m
Current other assets		
Forest estate inventories	25	19
Other inventories	25	27
Deferred buy back losses	1	....
Swap prepayments	3	6
Cross currency swap receivables	....	2
Accrued interest	34	45
Other	8	11
Total current other assets	96	110
Non-current other assets		
Cross currency swap receivables	42	78
Swap prepayments	4	5
Other	12	12
Total non-current other assets	58	95
TOTAL	153	205

Note 16 Land, buildings and forest estate

	2001-02	2000-01
	\$m	\$m
Land at cost or valuation	758	759
Buildings at cost or valuation	2 889	2 909
Less accumulated depreciation	(692)	(642)
	<u>2 197</u>	<u>2 267</u>
Forest estate at valuation	809	915
Less accumulated depreciation	(91)	(133)
	<u>718</u>	<u>782</u>
TOTAL	<u><u>3 673</u></u>	<u><u>3 808</u></u>

Note 17 Plant and equipment

	2001-02	2000-01
	\$m	\$m
Plant and equipment at cost or valuation	940	804
Less accumulated depreciation	(252)	(320)
TOTAL	<u><u>688</u></u>	<u><u>484</u></u>

Note 18 Infrastructure

	2001-02	2000-01
	\$m	\$m
Infrastructure at cost or valuation	11 968	11 102
Less accumulated depreciation	(4 626)	(4 285)
TOTAL	<u><u>7 342</u></u>	<u><u>6 817</u></u>

Note 19 Reconciliation of non-current assets

	Land, Buildings and Forest Estates	Plant and Equipment	Infrastructure	Total
	\$m	\$m	\$m	\$m
Carrying amount at start of year	3 808	484	6 817	11 109
Add asset purchases	95	400	245	740
Less asset sales	(86)	(48)	(4)	(138)
Add/(Less) asset revaluations	(12)	(6)	457	439
Less depreciation expense	(52)	(62)	(215)	(329)
Other movements	(101)	(82)	4	(179)
Work in progress	21	2	38	61
Carrying amount at end of year	3 673	688	7 342	11 703

Note 20 Payables

	2001-02	2000-01
	\$m	\$m
Trade creditors	108	93
Other	28	11
TOTAL	136	104

Note 21 Borrowings

	2001-02	2000-01
	\$m	\$m
Current borrowings		
Non-Commonwealth	1 664	1 613
Debt due to Commonwealth	6	36
Total current borrowings	1 669	1 649
Non-current borrowings		
Non-Commonwealth	2 405	2 325
Debt due to Commonwealth	316	331
Total non-current borrowings	2 722	2 656
TOTAL	4 391	4 305

Note 22 Employee entitlements

	2001-02	2000-01
	\$m	\$m
Current employee entitlements		
Accrued salaries and wages	25	36
Annual leave	93	81
Long service leave	45	46
Workers' compensation	29	20
Total current employee entitlements	192	183
Non-current employee entitlements		
Annual leave	1	2
Long service leave	168	165
Workers' compensation	31	33
Total non-current employee entitlements	201	200
TOTAL	393	383

Note 23 Superannuation

The liability for employee superannuation resides in the State's public sector superannuation funds. These funds are not consolidated as they are not "controlled" by the State, however, the major proportion of unfunded superannuation liabilities 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 2002, based on actuarial valuations, is summarised as follows:

2001-02

	Retirement Benefits Act 1993	Parliamentary Superannuation Act 1973	Parliamentary Retiring Benefits Act 1985	Judges' Contributory Pensions Act 1968	Total
	\$m	\$m	\$m	\$m	\$m
Vested benefits	3 486	19	7	18	3 530
Accrued benefits	2 977	18	8	21	3 024
Less net market value of plan Assets	903	6	6	....	915
Deficit	2 074	12	2	21	2 109
Classified as:					
Current	156	2	1	4	163
Non-current	1 918	10	1	17	1 946
TOTAL	2 074	12	2	21	2 109

The 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:

2000-01

	Retirement Benefits Act 1993	Parliamentary Superannuation Act 1973	Parliamentary Retiring Benefits Act 1985	Judges' Contributory Pensions Act 1968	Total
	\$m	\$m	\$m	\$m	\$m
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

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 2002. 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 24 Other liabilities

	2001-02	2000-01
	\$m	\$m
Current other liabilities		
Revenue received in advance	13	58
Provision for outstanding and unreported claims in MAIB	86	79
Other	67	9
Total current other liabilities	167	146
Non-current other liabilities		
Provision for outstanding and unreported claims in MAIB	404	399
Cross currency swap payables	27	53
Other	16	4
Total non-current other liabilities	447	456
TOTAL	613	602

Note 25 Commitments

A Commitments for capital expenditure

At 30 June 2002, 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.

	2001-02	2000-01
	\$m	\$m
Not later than 1 year	141	47
Later than 1 year and no later than 5 years	187	52
Later than 5 years	11	21
Total	339	120

B Operating lease commitments

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

	2001-02	2000-01
	\$m	\$m
Not later than 1 year	57	137
Later than 1 year and no later than 5 years	130	134
Later than 5 years	156	155
Total	343	426

C Finance lease commitments

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

	2001-02	2000-01
	\$m	\$m
Not later than 1 year	2	2
Later than 1 year and no later than 5 years	3	5
Later than 5 years	....	1
Minimum lease payments	5	8
Deduct: future finance charges	....	(1)
Finance lease liability	5	7

D Other commitments

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

	2001-02	2000-01
	\$m	\$m
Not later than 1 year	110	31
Later than 1 year and no later than 5 years	231	77
Later than 5 years	108	167
Total	449	275

Note 26 Contingent liabilities

Contingent liabilities represent items that, at 30 June 2002, 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

2001-02

	General Government Entities	Public Non- Financial Corporations	Public Financial Corporations	Total
	\$m	\$m	\$m	\$m
Guarantees	1	2	....	3
Claims relating to insurance (excluding claims by employees for personal injuries)	....	2	....	2
Deferred start swaps:				
Receive fixed	....	....	57	57
Pay fixed	....	....	115	115
Forward rate agreement	....	....	....	....
Other:				
Aurora Energy Pty Ltd various property loss and personal injury (excluding employee claims)	....	....	....	....
Total contingent liabilities - Quantifiable	1	4	172	177

	General Government Entities	Public Non- Financial Corporations	Public Financial Corporations	Total
	\$m	\$m	\$m	\$m
Guarantees	7	3	....	10
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 Entergy Pty Ltd various property loss and personal injury (excluding employee claims)	....	1	....	1
Total contingent liabilities - Quantifiable	7	5	245	257

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; and
 - Personal injury or damage caused to property (including vehicles) allegedly due to road works or road condition.
- Burnie Port Corporation has initiated legal action to resolve a contractual dispute concerning the rental of the P6 Post Panamax crane used in the Port's operations.
- Claims against the former Department of State Development relating to:
 - Litigation with K M Booth and K D Conochie in a claim for negligent advice; and
 - Litigation with Mack Investments Pty Ltd (Argo Pty Ltd), George Peter Wright, Natureland of Tasmania Pty Ltd and Michael Winston Tatlow in an action alleging loss of proceeds of sale and damages.

- Claims against the Port Arthur Historic Site Management Authority relating to the tragedy of April 1996.
- Transend Networks Pty Ltd is defending Supreme Court proceedings in relation to a former employee.

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

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

Note 27 Compliance with Appropriation

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

Information about compliance with such appropriations can be obtained from entity financial statements and from the *Treasurer's Financial Statements* for the year ended 30 June 2002.

Note 28 Additional financial instruments disclosure

Interest rate risk

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

The State's exposure as at 30 June 2002 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.

2001-02

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

2000-01

	Note	Weighted Average Effective Interest Rate	Fixed Interest Maturing In:					Non- Interest Bearing	Total
			Floating Interest Rate	1 Year or Less	Over 1 Year to 5 Years	More than 5 Years			
			\$m	\$m	\$m	\$m	\$m		
Financial Assets									
Cash		N/A	22	4	....	....	1	27
Investments		5.88	775	564	161	675	201	2 376	
Receivables		N/A	8	70	23	27	72	200	
Cross currency swap receivables		(1.36)	(344)	3	270	151	....	80
			<u>461</u>	<u>641</u>	<u>454</u>	<u>853</u>	<u>274</u>	<u>2 683</u>	
Financial Liabilities									
Payables		N/A	20	37	....	....	47	104
Borrowings		6.12	921	695	1 927	746	16	4 305	
Cross currency swap payables		10.08	(184)	....	....	237	....	53
			<u>757</u>	<u>732</u>	<u>1 927</u>	<u>983</u>	<u>63</u>	<u>4 462</u>	

Foreign exchange risk

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

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

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

	Borrowings	Investments	Swaps	Net exposure
	\$m	\$m	\$m	\$m
2001-02				
Japanese Yen	333	....	(333)	....
US Dollars	....	247	(247)	....
German Deutschmarks	....	44	(44)	....
TOTAL	333	291	(624)	....
2000-01				
Japanese Yen	423	....	(423)	....
US Dollars	....	275	(275)	....
German Deutschmarks	....	42	(42)	....
TOTAL	423	317	(740)	....

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	2001-02 Exposure	2000-01 Exposure
	\$m	\$m
Interest rate swaps	56	68
Basslink facility fee instrument	7	....
Foreign exchange contracts	135	179
TOTAL	198	247

Net fair value

The carrying amounts and estimated fair values of recognised financial instruments held at 30 June 2002 and 30 June 2001 are as follows:

2001-02

	2001-02 Net fair value	2001-02 Carrying value
	\$m	\$m
Financial assets		
Cash	27	27
Investments	2 423	2 374
Receivables	232	232
TOTAL	2 682	2 634
Financial liabilities		
Payables	136	136
Borrowings	4 479	4 386
Finance leases	5	5
TOTAL	4 620	4 527
Financial instruments		
Unfavourable interest rate swaps	....	(98)
Favourable interest rate swaps	....	15
TOTAL	....	(83)

2000-01

	2000-01 Net fair value	2000-01 Carrying value
	\$m	\$m
Financial assets		
Cash	27	27
Investments	2 437	2 376
Receivables	200	200
TOTAL	2 664	2 603
Financial liabilities		
Payables	104	104
Borrowings	4 431	4 305
Finance leases	....	....
TOTAL	4 535	4 409

Note 29 Reconciliation of net cash flows from operating activities to operating surplus

	2001-02	2000-01
	\$m	\$m
Operating surplus	76	(62)
less operating surplus/(deficit) of public financial institutions with non-government entities	(130)	(183)
Operating surplus (excluding public financial institutions)	207	121
Non-cash movements		
Depreciation and amortisation	329	310
Net revenue from sale of non-financial assets	37	15
Increase/(decrease) in payables	32	4
Increase/(decrease) in employee entitlements	11	15
Increase/(decrease) in superannuation	123	107
Increase/(decrease) in accrued expenses	36	(3)
Increase/(decrease) in other liabilities	34	31
(Increase)/Decrease in receivables	32	(28)
(Increase)/Decrease in prepayments	(10)	(14)
(Increase)/Decrease in accrued revenue	30	4
(Increase)/Decrease in other assets	(3)	(14)
(Increase)/Decrease in tax assets	2	(6)
Adjustment for other non-cash items	(46)	(8)
TOTAL	813	534

Note 30 Statement of Cash Flows of Financial Institutions

	2001-02	2000-01
	\$m	\$m
	Inflows (Outflows)	Inflows (Outflows)
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts		
Interest received	349	212
Other receipts	1	....
Payments		
Employee entitlements	(2)	(1)
Interest paid	(462)	(473)
Other payments	(3)	(2)
NET CASH USED IN OPERATING ACTIVITIES	(117)	(264)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investments	(220)	(326)
NET CASH USED IN INVESTING ACTIVITIES	(220)	(326)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase/(decrease in deposits)	39	26
Net borrowings	141	(117)
NET CASH USED IN FINANCING ACTIVITIES	180	(91)
NET CASH FLOWS USED BY FINANCIAL INSTITUTIONS	(157)	(681)

Note 31 Closing cash and cash equivalents

	2001-02	2000-01
	\$m	\$m
DEPOSITS AT CALL		
Financial institutions		
Cash	....	(1)
Investments at call	90	....
Advances at call	16	16
Short term securities	242	347
Borrowings at call	....	(20)
Deposits at call	(55)	(43)
Other entities	39	27
CASH AND CASH EQUIVALENTS HELD AT 30 JUNE	332	326

Note 32 Reconciliation of changes in equity

	Total	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves
	\$ m	\$ m	\$ m	\$ m
Balance at beginning of reporting period	6 438	2 733	2 594	1 111
Operating surplus / (deficit)	77	77	....	....
Transfers to reserves	28	25	....	3
Transfers from reserves	(24)	....	....	(24)
Revaluation increments	418	....	418	....
Revaluation decrements	(129)	....	(129)	....
Other movements	89	89	....	....
Balance at end of reporting period	6 897	2 924	2 883	1 090

Note 33 Asset revaluation reserve

	Opening Balance	Revaluation Increments	Revaluation Decrements	Closing Balance
	\$ m	\$ m	\$ m	\$ m
Land, buildings and forest estates	741	4	(123)	622
Plant and equipment	16	1	....	16
Infrastructure	1 835	405	(6)	2 234
Other	2	8	....	10
TOTAL	2 594	418	(129)	2 883

Note 34 Details of controlled entities

The following controlled entities of the State are included in the consolidated financial report for the year ended 30 June 2002.

General government entities

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

General government entities (continued)

Legislature-General
Marine and Safety Tasmania
Office of the Governor
Royal Tasmanian Botanical Gardens
State Fire Commission
TAFE Tasmania
Tasmanian Audit Office

Public non-financial corporations

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

Public financial corporations

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.