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PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL

GOVERNMENT DEPARTMENTS AND PUBLIC BODIES 2000-2001

VOLUME ONE

No. 2 of 2001 - November 2001

Presented to both Houses of Parliament in accordance with the requirements of Section 57 of the Financial Management and Audit Act 1990

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27 November 2001

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Sirs

In accordance with the requirements of Section 57 of the Financial Management and Audit Act 1990, I have pleasure in presenting my report on the audit of Government departments and public bodies for the year ended 30 June 2001.

Yours sincerely

A J McHugh
AUDITOR-GENERAL

TABLE OF CONTENTS

Part 3 Government Businesses 105

VOLUME TWO

INTRODUCTION

This Report deals with Ministerial Departments, State-owned Companies, State Authorities, Government Business Enterprises, Local Government Authorities, Port Corporations, and other public bodies together with special comments on various other issues.

FORMAT OF THE REPORT

Unless specifically indicated, the comment in this Report is current as at 23 November 2001.

The Report has been based on the administrative arrangements set out under the provisions of the Administrative Arrangements Act 1990 as at 30 June 2001 and the report has been prepared in accordance with the following classifications:

Part 1	Executive and Legislature
Part 2	Ministerial Departments
Part 3	Government Businesses
Part 3.1	Government Business Enterprises
Part 3.2	State Owned Corporations
Part 3.3	Port Corporations
Part 4	Local Government Authorities
Part 5	Other Statutory Authorities
Part 6	Miscellaneous Public Bodies
Part 7	Other Issues

This classification does not attempt to recognise any lines of responsibility that some Statutory Authorities have through Ministerial Departments to the appropriate Minister, however the Portfolio or Responsible Minister is stated in each case.

STATUS OF AUDITS

The majority of audits for the year ended 30 June 2001 have been completed with some exceptions as detailed in the preamble under each Part of the Report.

AUDITS DISPENSED WITH

In accordance with *Section 41 of the Financial Management and Audit Act 1990* (FMAA), the following audits have been dispensed with after consideration of alternative accountability arrangements for the public bodies concerned. Two of the aspects considered were the materiality of the financial transactions involved and the most cost-effective means of conducting the audits.

Grants to Public Bodies

An organisation in receipt of a grant from the Consolidated Fund automatically becomes a public body as defined under the FMAA, and is required to meet certain accountability requirements in accordance with the Treasurer's Instructions. A recipient of a grant of $5 000 or more is required to provide the appropriate Head of Agency with:

- A signed copy of the public body's financial statements, showing the receipt and manner of disbursement of each grant, together with an audit report signed by a suitably qualified person; or
- A Statutory Declaration made in accordance with the *Evidence Act 1910*, and signed by two office holders or members considered to be bona fide representatives of the public body, to the effect that the grant was received and disbursed for the purpose for which it was given; or
- A certificate signed by a suitably qualified person to the effect that the grant was received and disbursed for the purpose for which it was given.

In the course of the various Agency audits, Audit Office staff ensure that Heads of Agencies comply with the requirements of the Treasurer's Instructions.

Registration Boards

The audits of the following Boards have been dispensed with on the basis that an audit is undertaken by a suitably qualified person.

Board of Architects
Chiropractors Registration Board
Dental Board
Dental Mechanics Board
Medical Council of Tasmania
Nursing Board
Optometrists Registration Board
Pharmacy Board of Tasmania
Physiotherapists Registration Board
Plumbers and Gasfitters Registration Board
Podiatrists Registration Board
Psychologists Registration Board
Radiographers Registration Board
Surveyors Registration Board
Teachers and Schools Registration Board
Travel Agents Licensing Board
Valuers Registration Board

Other Public Bodies

The audits of the following public bodies have also been dispensed with on the basis that an audit is undertaken by a suitably qualified person:

National Trust of Australia (Tasmania)
National Trust Preservation Fund (Hobart)
Drainage Trusts.

Local Government Committees

Committees appointed under the *Local Government Act 1993* are required to provide copies of their annual financial statements to the respective Council to enable the General Manager, or some other appropriate person, to perform an audit of those accounts.

Statements of Committees are normally consolidated in the financial statements of the respective Councils.

FINANCIAL ANALYSIS

The following table illustrates the methods of calculating performance indicators used in the financial analysis sections on this report, together with a number of benchmarks used to measure performance.

Performance Indicator	Bench-mark	Method of Calculation
Financial Performance		
Result from operations ($'000s)		Operating Revenue less Operating Expenses
EBIT ($'000s)		Result from Ordinary Activities before Tax plus Gross Interest Expense
Operating margin	>1.0	Operating Revenue divided by Operating Expenses
Return on assets		EBIT divided by Average Total Assets
Return on equity		Result from Ordinary Activities after Taxation divided by Average Total Equity
Financial Management		
Debt to equity		Debt divided by Total Equity
Debt to total assets		Debt divided by Total Assets
Interest cover	>3	EBIT divided by Gross Interest Expense
Current ratio	>1	Current Assets divided by Current Liabilities
Cost of debt	7.5%	Gross Interest Expense divided by Average Borrowings (include finance leases)
Debt collection	30 days	Receivables divided by billable Revenue multiplied by 365
Creditor turnover	30 days	Payables divided by credit purchases multiplied by 365
Returns to Government		
Dividends paid or payable ($'000s)		Dividends paid or payable that relate to the year subject to analysis.
Dividend payout ratio	50%	Dividend divided by Result from Ordinary Activities after Tax
Dividend to equity ratio		Dividend paid or payable divided by Average Total Equity
Income tax paid or payable ($'000s)		Income Tax paid or payable that relates to the year subject to analysis.
Effective tax rate	30%	Income Tax paid or payable divided by Result form Ordinary Activities before Tax
Total return to the State ($'000s)		Dividends plus Income Tax
Total return to equity ratio		Total Return divided by Average Equity
Other information		
Staff numbers FTEs		Effective full time equivalents
Average staff costs ($'000s)		Total employee expenses divided by Staff Numbers

SIGNIFICANT ITEMS ARISING FROM AUDITS

The format of this Report is changed from the corresponding report for 2000. This Report contains statements of financial performance, financial position and cash flows together with analysis of financial information of ministerial departments, government business (including State-owned Companies), local government authorities and statutory authorities. Comparative information is also provided for groups of similar entities such as departments, State-owned Companies, city councils, etc.

The accompanying text sets out significant points, if any, arising from an analysis of the financial statements and in relation to the environment in which each operates.

The Report does not include many items arising from the audits that have been formally raised with the auditees. The rationale for inclusion or otherwise rests on my perception of the public interest in each point and the need to confine comments to those matters that have more than a managerial dimension.

Change of emphasis for Departmental financial reporting

– Chapter 2

This year was the first year all departments complied with revised accounting standard AAS 1 'Statement of Financial Performance' and new standards AAS 36 'Statement of Financial Position', AAS 37 'Financial Report Presentation and Disclosures', and AAS 38 'Revaluation of Non-Current Assets'.

In line with these new and revised standards, Treasurer's Instructions relating to financial statement disclosures were reissued, and placed more of an emphasis on departments' accrual performance, in line with the Government's preparation for full accrual budgeting, which is planned to take place from 2003-04, and also required preparation of an administered statement of cash flows to assist in the preparation of the Government's Consolidated Financial Statements.

Returns on equity remains low for many Government businesses

– Chapter 3

Typically the cost of equity capital would range between 10% and 12.5% before tax for government businesses depending on the relative risk beta of the particular business compared to the market as a whole. Assuming a taxation rate of 30%, after tax returns of government business enterprises and State-owned Companies should be of the order of 7% to 8.5% (nominal post-tax).

Many GBEs and State-owned Companies have returns on equity that are either negative or below 3%.

Council road values do not reflect fair values in all cases

- Chapter 4

A number of Councils have availed themselves of the transition arrangements associated with the implementation of AAS 38 "Revaluation of Non-Current Assets" that allowed Councils to deem the carrying values of their assets to be cost. Under the current accounting framework there is no requirement to revalue assets carried at cost, either upwards or in the case of public sector entities downwards, where that cost does not represent fair value.

In those Councils where asset values do not represent fair value the asset management decision making processes and the long-term sustainable management of the road networks may be based on faulty data.

In my view, long-term asset management decisions and funding arrangements for long-lived infrastructure such as road networks would be enhanced by the adoption of fair values in determining asset values and depreciation charges.

Depreciation of Council road networks not always in accordance with accounting standards

- Chapter 4

A number of Councils are not adopting component accounting for road asset values or for the calculation of depreciation. In most cases it was found that these practices did not have a material impact on depreciation expense and therefore did not have a material impact on the statement of financial performance.

It was also found that a number of Councils were adopting a renewals approach to accounting for gravel roads whereby all expenditure on these roads whether capital or maintenance in nature is expensed. Gravel roads are then depreciated over extremely long lives, in some case up to 200 years (or even not depreciated at all).

There is no substantive evidence that gravel pavements in particular will last that long, and in fact evidence from studies undertaken in Victoria suggests that useful lives of gravel roads are in the vicinity of forty years. Again, in most cases it was found that these practices did not have a material impact on depreciation expense and therefore did not have a material impact on the statement of financial performance.

Many councils failing to budget for all expenses, including depreciation when setting rates

Chapters 4.1 and 4.4

A number of councils are failing to budget for all expenses, including depreciation when setting rates. As a result a number larger city councils as well as a number of smaller rural councils are continuing to record significant operating deficits. Failure to budget for depreciation when setting rates will over time impact on the resources available to the council to re-invest in depreciating infrastructure such as roads, water and sewage assets.

Lack of timeliness in preparing financial statements and inadequate working papers

Chapter 7.2

Many entities are failing to meet statutory deadlines, 31 August for government departments and GBEs, and 30 September for local government authorities. Delays in submitting financial statements for audit are compounded by inadequate working papers to support the disclosures in the financial statements. Failure to prepare adequate working papers prevents entities from undertaking adequate quality assurance processes and delays the audit process.

1 EXECUTIVE AND LEGISLATURE

INTRODUCTION

The Parliament of Tasmania is comprised of the Crown (represented by the Governor), the Legislative Council and the House of Assembly that collectively form the Legislature.

Appropriation of funds to the Legislature-General Division provides, amongst other matters, for general parliamentary functions including the Parliamentary Catering and Reporting Services. Designated officers of the Parliament administer these functions and financial transactions are recorded in the financial statements of:

- Office of the Governor;
- The Legislative Council;
- The House of Assembly; and
- The Legislature-General.

Appropriation of funds to the Ministerial and Parliamentary Support Division provides for certain expenses and administrative support of Ministers and other Members of Parliament. The financial transactions of this Division are reported in the financial statements prepared by the Department of Premier and Cabinet.

The information on each function is summarised under the following headings:

- Introduction;
- Audit of the 2000-2001 Financial Statements;
- Financial Results:
  - Financial performance;
  - Financial position;
  - Cash position;
  - Financial analysis; and
- Overall comment.

1.1 OFFICE OF THE GOVERNOR

INTRODUCTION

His Excellency the Governor represents the Crown in Tasmania and discharges the official, constitutional, and community responsibilities of the Office of the Governor. The Office of the Governor provides His Excellency with the administrative support to carry out this function.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements were received by audit on 31 August 2001 and an unqualified audit report was issued on 12 November 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	1 804	1 562	1 638	1 935	1 854
Other operating revenue	53	227	161	24	174
Total Revenue	**1 857**	**1 789**	**1 799**	**1 959**	**2 028**
Depreciation	97	97	98	98	110
Other operating expenses	1 828	1 785	1 828	1 947	1 966
Total Expenses	**1 925**	**1 882**	**1 926**	**2 045**	**2 076**
Result from Ordinary Activities	**(68)**	**(93)**	**(127)**	**(86)**	**(48)**

Comment

Nil

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	0	0	1	1	1
Other	1	2	4	3	11
Total Current Assets	**1**	**2**	**5**	**4**	**12**
Property, plant & equipment	14 894	14 797	14 688	14 611	14 501
Total Non-Current Assets	**14 894**	**14 797**	**14 688**	**14 611**	**14 501**
Payables	46	22	22	44	35
Provisions	114	131	161	168	143
Other	12	14	14	0	0
Total Current Liabilities	**172**	**167**	**197**	**212**	**178**
Provisions	170	172	163	156	136
Total Non-Current Liabilities	**170**	**172**	**163**	**156**	**136**
Net Assets	**14 553**	**14 460**	**14 333**	**14 247**	**14 199**
Retained surpluses	14 553	14 460	14 333	14 247	14 199
Total Equity	**14 553**	**14 460**	**14 333**	**14 247**	**14 199**

Comment

Nil

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	1 804	1 562	1 638	1 935	1 854
Receipts from customers	53	227	161	15	220
Payments to suppliers and employees	(1 873)	(1 789)	(1 798)	(1 775)	(2 074)
Cash from operations	**(16)**	**0**	**1**	**175**	**0**
Payments for P, P & Equipment	(10)	0	0	(175)	0
Proceeds from sale of P, P & E	21	0	0	0	0
Cash used in investing activities	**11**	**0**	**0**	**(175)**	**0**
Net increase in cash	**(5)**	**0**	**1**	**0**	**0**
Cash at the beginning of the period	5	0	0	1	1
Cash at end of the period	**0**	**0**	**1**	**1**	**1**

Comment

Nil

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(68)	(93)	(127)	(86)	(48)
Operating margin	>1.0	1	1	1	1	1
Financial Management						
Current ratio	>1	0.01	0.01	0.03	0.02	0.07
Debt collection	30 days	-	-	-	-	21
Creditor turnover	30 days	24	12	13	15	13
Other information						
Staff numbers FTEs		23	23	22.50	23.50	24.50
Average staff costs ($'000s)		49	50	51	49	47

Comment

The current ratio is less than one due to the low level of current assets.

OVERALL COMMENT

The 2000-01 Audit was completed with satisfactory results.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the entity manages on behalf of the Government. These transactions are not shown in the entity's Statement of financial Performance or Statement of Financial Position.

Administered Revenues and Expenses

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	141	144	153	160	169
Total Revenue	**141**	**144**	**153**	**160**	**169**
Other operating expenses	141	144	156	160	169
Total Expenses	**141**	**144**	**156**	**160**	**169**
Result from operations	**0**	**0**	**(3)**	**0**	**0**
Net Result from Operations	**0**	**0**	**(3)**	**0**	**0**

Comment

Nil

Administered Assets and Liabilities

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Provisions	0	2	5	4	4
Total Current Liabilities	**0**	**2**	**5**	**4**	**4**
Net Assets	**0**	**(2)**	**(5)**	**(4)**	**(4)**
Accumulated deficit	0	(2)	(5)	(4)	(4)
Total Equity	**0**	**(2)**	**(5)**	**(4)**	**(4)**

Comment

Nil

Administered Cash Flows

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations				160	169
Payments to suppliers and employees				(160)	(169)
Cash from operations				**0**	**0**
Net increase in cash				**0**	**0**
Cash at the beginning of the period				0	0
Cash at end of the period				**0**	**0**

Comment

The Office of the Governor has only been required to prepare administered cash flows for the last two years.

1.2 LEGISLATIVE COUNCIL

INTRODUCTION

The Legislative Council, together with the House of Assembly and His Excellency the Governor, constitute the Parliament of Tasmania.

The Legislative Council is the Upper House of Parliament and functions as a House of Review.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements of the Legislative Council were received by Audit on 7 September 2001 and an unqualified audit report was issued on 8 November 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	1 382	1 273	1 353	1 331	1 444
Other operating revenue	1	35	71	76	59
Total Revenue	**1 383**	**1 308**	**1 424**	**1 407**	**1 503**
Depreciation	0	0	0	0	1
Other operating expenses	1 389	1 411	1 386	1 435	1 554
Total Expenses	**1 389**	**1 411**	**1 386**	**1 435**	**1 555**
Result from Ordinary Activities	**(6)**	**(103)**	**38**	**(28)**	**(52)**

Comment

Nil

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	2	33	4	4	36
Receivables	0	0	0	0	8
Other	0	0	0	11	4
Total Current Assets	**2**	**33**	**4**	**15**	**48**
Property, plant & equipment	823	855	854	854	907
Total Non-Current Assets	**823**	**855**	**854**	**854**	**907**
Payables	12	77	26	53	96
Provisions	321	411	388	402	482
Other	10	5	18	11	20
Total Current Liabilities	**343**	**493**	**432**	**466**	**598**
Provisions	34	18	11	16	21
Total Non-Current Liabilities	**34**	**18**	**11**	**16**	**21**
Net Assets	**448**	**377**	**415**	**387**	**336**
Retained surpluses	448	377	415	387	336
Total Equity	**448**	**377**	**415**	**387**	**336**

Comment

Nil

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	1382	1273	1 353	1 331	1 444
Receipts from customers	1	34	71	76	92
Payments to suppliers and employees	(1 385)	(1 276)	(1 453)	(1 407)	(1 450)
Cash from operations	**(2)**	**31**	**(29)**	**0**	**86**
Payments for P, P & Equipment	0	0	0	0	(54)
Cash used in investing activities	**0**	**0**	**0**	**0**	**(54)**
Net increase (decrease) in cash	**(2)**	**31**	**(29)**	**0**	**32**
Cash at the beginning of the period	4	2	33	4	4
Cash at end of the period	**2**	**33**	**4**	**4**	**36**

Comment

Nil

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(6)	(103)	38	(28)	(52)
Operating margin	>1.0	1.00	0.93	1.03	0.98	0.97
Financial Management						
Current ratio	>1	0.01	0.07	0.01	0.03	0.08
Debt collection	30 days	-	-	-	-	-
Creditor turnover	30 days	8	56	19	41	68
Other information						
Staff numbers FTEs		16	18	17	18	18
Average staff costs ($'000s)		53	50	52	54	58

Comment

The current ratio is less than one due to the low level of current assets.

Outstanding creditors at year-end have increased significantly in recent years.

OVERALL COMMENT

The 2000-01 Audit was completed with satisfactory results.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the entity manages on behalf of the Government. These transactions are not shown in the entity's Statements of Financial Performance or Financial Position.

Administered Revenues and Expenses

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations	1 785	1 725	1 747	1 590	1 564
Other operating revenue	0	0	0	0	0
Total Revenue	**1 785**	**1 725**	**1 747**	**1 590**	**1 564**
Other operating expenses	1 779	1 764	1 878	1 456	1 565
Total Expenses	**1 779**	**1 764**	**1 878**	**1 456**	**1 565**
Result from operations	**6**	**(39)**	**(131)**	**134**	**(1)**
Transfer to Consolidated Fund	0	0	0	0	0
Net Result from Operations	**6**	**(39)**	**(131)**	**134**	**(1)**

Comment

Parliamentary salaries and allowances were higher in 1998-99 due to a greater number of Members and eligible termination payments to four previous Members totalling $127 885.

Administered Assets and Liabilities

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receivables	8	4	3	0	0
Total Current Assets	**8**	**4**	**3**	**0**	**0**
Payables		1		38	39
Other	8	43	174	0	0
Total Current Liabilities	**8**	**44**	**174**	**38**	**39**
Net Assets	**0**	**(40)**	**(171)**	**(38)**	**(39)**
Retained surpluses	0	(40)	(171)	(38)	(39)
Total Equity	**0**	**(40)**	**(171)**	**(38)**	**(39)**

Comment

Other current liabilities in 1998-99 represent accrued expenses.

Administered Cash Flows

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations				1 590	1 564
Payments to suppliers and employees				(1 590)	(1 564)
Cash from operations				**0**	**0**
Net increase in cash				**0**	**0**
Cash at the beginning of the period				0	0
Cash at end of the period				**0**	**0**

Comment

Administered cash flow information has only been prepared for the last two years.

1.3 HOUSE OF ASSEMBLY

INTRODUCTION

Officers of the House of Assembly provide the House, its Committees, the Speaker of the House and Members with advisory, procedural, research and administrative support services to assist them to effectively undertake their constitutional and Parliamentary duties.

The House is predominantly funded by Parliamentary appropriations and reserved by law appropriations for the above services and for the administration of payments of salaries and allowances as prescribed by the *Parliamentary Salaries, Superannuation and Allowances Act 1973*.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements of the House of Assembly were received by Audit on 6 September 2001 and an unqualified audit report was issued on 6 November 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	1 547	1 641	1 667	1686	1 695
Other operating revenue	4	1	2	7	19
Total Revenue	**1 551**	**1 642**	**1 669**	**1 693**	**1 714**
Depreciation	1	6	18	19	21
Other operating expenses	1 577	1 610	1 613	1621	1 739
Non-operating expenses					
Total Expenses	**1 578**	**1 616**	**1 631**	**1 640**	**1 760**
Result from Ordinary Activities	**(27)**	**26**	**38**	**53**	**(46)**

Comment

Nil

FINANCIAL POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Cash	0	0	0	0	5
Receivables	0	0	0	0	14
Total Current Assets	**0**	**0**	**0**	**0**	**19**
Property, plant & equipment	813	852	839	857	877
Total Non-Current Assets	**813**	**852**	**839**	**857**	**877**
Payables	65	86	55	57	80
Provisions	432	416	417	402	426
Other	0	0	0	0	4
Total Current Liabilities	**497**	**502**	**472**	**459**	**510**
Provisions	35	43	22	28	34
Total Non-Current Liabilities	**35**	**43**	**22**	**28**	**34**
Net Assets	**281**	**307**	**345**	**370**	**352**
Retained surpluses	281	307	345	398	352
Total Equity	**281**	**307**	**345**	**398**	**352**

Comment

Provisions and payables are funded from the following years' appropriations.

CASH POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations	1 547	1 641	1667	1686	1 695
Receipts from customers	4	1	2	7	83
Payments to suppliers and employees	(1 545)	(1 597)	(1 664)	(1 656)	(1 733)
Cash from operations	**6**	**45**	**5**	**37**	**45**
Payments for P, P & Equipment	(7)	(45)	(5)	(37)	(40)
Cash used in investing activities	**(7)**	**(45)**	**(5)**	**(37)**	**(40)**
Net increase (decrease) in cash	**(1)**	**0**	**0**	**0**	**5**
Cash at the beginning of the period	1	0	0	0	0
Cash at end of the period	**0**	**0**	**0**	**0**	**5**

Comment

Nil

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(27)	26	38	53	(46)
Operating margin	>1.0	0.98	1.02	1.02	1.03	0.97
Financial Management						
Current ratio	>1	-	-	-	-	0.04
Debt collection	30 days	-	-	-	-	-
Creditor turnover	30 days	34	43	31	30	28
Other information						
Staff numbers FTEs		18.3	18.3	18.7	18.0	18
Average staff costs ($'000s)		48	48	52	52	53

Comment

The current ratio is less than one due to the low level of current assets.

OVERALL COMMENT

The 2000-01 Audit was completed with satisfactory results.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the entity manages on behalf of the Government. These transactions are not shown in the entity's Statements of Financial Performance and Financial Position.

Administered Revenues and Expenses

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	3 375	3 318	2 650	2 501	2 598
Total Revenue	**3 375**	**3 318**	**2 650**	**2 501**	**2 598**
Other operating expenses	3 372	3 399	2 604	2 498	2 595
Total Expenses	**3 372**	**3 399**	**2 604**	**2 498**	**2 595**
Result from operations	**3**	**(81)**	**46**	**3**	**3**
Transfer to Consolidated Fund	0	0	0	0	0
Net Result from Operations	**3**	**(81)**	**46**	**3**	**3**

Comment

Parliamentary salaries and allowances decreased from $3.277 million in 1997-98 to $2.506 million in 1998-99 due to a decrease in the number of Members of Parliament during the year.

Administered Assets and Liabilities

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Payables	4	85	40	37	34
Total Current Liabilities	**4**	**85**	**40**	**37**	**34**
Net Assets	**(4)**	**(85)**	**(40)**	**(37)**	**(34)**
Retained surpluses	(4)	(85)	(40)	(37)	(34)
Total Equity	**(4)**	**(85)**	**(40)**	**(37)**	**(34)**

Comment

Outstanding payables are funded from appropriations received in the following year.

Administered Cash Flows

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations				2 501	2 598
Payments to suppliers and employees				(2 501)	(2 598)
Cash from operations	**0**	**0**	**0**	**0**	**0**
Net increase in cash	**0**	**0**	**0**	**0**	**0**
Cash at the beginning of the period				0	0
Cash at end of the period	**0**	**0**	**0**	**0**	**0**

Comment

The House of Assembly has only been required to prepare administered cash flows for the last two years.

1.4 LEGISLATURE-GENERAL

INTRODUCTION

Legislature–General consists of Joint House support staff, the Parliamentary Reporting Service, the Parliamentary Library Service and the Parliamentary Printing and Systems Service. These services represent support services provided to both Houses of Parliament and their Members.

The Clerk of the Legislative Council and the Clerk of the House of Assembly are jointly responsible for the effective and efficient support operations of the Legislature-General, including the responsibility for all human resources and financial administration issues. The Secretary to the Joint House Committee is responsible for the immediate control of support functions, liaison with and direction to the managers of the various branches.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of the Legislature-General were received on 21 September 2001. An unqualified audit report was issued on 16 November 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	3 293	3 157	3 634	3 741	3 639
Other operating revenue	314	314	279	409	285
Total Revenue	**3 607**	**3 471**	**3 913**	**4 150**	**3 924**
Depreciation	227	233	222	240	269
Other operating expenses	3 608	3 436	3 490	4 148	3 900
Total Expenses	**3 835**	**3 669**	**3 712**	**4 388**	**4 169**
Result from Ordinary Activities	**(228)**	**(198)**	**201**	**(238)**	**(245)**

Comment

Other operating revenue increased in 1999-00 as a result of additional funds being required for restoration and conservation of sections of Parliament House. This also attributed to the increase in other operating expenses in the same year.

FINANCIAL POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Cash	1	50	119	33	(18)
Receivables	11	11	29	28	93
Inventories	17	19	14	33	26
Other	0	0	0	11	14
Total Current Assets	**29**	**80**	**162**	**105**	**115**
Property, plant & equipment	12 372	12 139	12 048	12 170	11 966
Other	0	0	252	0	0
Total Non-Current Assets	**12 372**	**12 139**	**12 300**	**12 170**	**11 966**
Payables	89	80	62	149	161
Provisions	312	349	399	376	428
Other			7	9	8
Total Current Liabilities	**401**	**429**	**468**	**534**	**597**
Provisions	77	65	68	53	41
Total Non-Current Liabilities	**77**	**65**	**68**	**53**	**41**
Net Assets	**11 923**	**11 725**	**11 926**	**11 688**	**11 443**
Retained surpluses	11 923	11 725	11 926	11 688	11 443
Total Equity	**11 923**	**11 725**	**11 926**	**11 688**	**11 443**

Comment

Cash on hand and deposit accounts increased in 1998-99 due to funds retained and carried forward for maintenance purposes. The negative value for 2000-01 is as a result of GST payments being in excess of receipts.

The increase in receivables in 2000-01 is due mainly to the impact of the GST.

The increase in payables in 1999-00 was due to a number of accrual payments with no similar accrual the previous year. The further increase in 2000-01 is due to GST.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	3 293	3 157	3 634	3 741	3 414
Receipts from customers	323	314	261	410	705
Payments to suppliers and employees	(3 626)	(3 422)	(3 442)	(4 127)	(4 106)
Cash from operations	**(10)**	**49**	**453**	**24**	**13**
Proceeds from investments	(1)	0	0	0	0
Payments for investments	0	0	(252)	0	0
Payments for P, P & Equipment	(81)	0	(132)	(110)	(64)
Cash used in investing activities	**(82)**	**0**	**(384)**	**(110)**	**(64)**
Net increase in cash	**(92)**	**49**	**69**	**(86)**	**(51)**
Cash at the beginning of the period	93	1	50	119	33
Cash at end of the period	**1**	**50**	**119**	**33**	**(18)**

Comment

Receipts from customers increased in 1999-00. This category includes the additional funds contributed for restoration and conservation of sections of Parliament House. This also contributed to the increase in payments to suppliers in the same year.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Profitability						
Result from operations ($'000s)		(228)	(198)	201	(238)	(245)
Operating margin	>1.0	0.94	0.95	1.05	0.95	0.94
Financial Management						
Current ratio	>1	0.07	0.19	0.35	0.20	0.19
Debt collection	30 days	13	14	39	25	127
Creditor turnover	30 days	19	19	15	28	29
Other information						
Staff numbers FTEs		40	40	35	35	34
Average staff costs ($'000s)		47	47	50	54	54

Comment

The current ratio is less than one due to the low level of current assets.

The increase in receivables in 2000-01 is due mainly to the impact of the GST.

OVERALL COMMENT

The 2000-01 Audit was completed with satisfactory results.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the entity manages on behalf of the Government. These transactions are not shown in the entity's Statement of Financial Performance or Statement of Financial Position.

Administered Revenues and Expenses

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations	43	44	61	56	114
Total Revenue	**43**	**44**	**61**	**56**	**114**
Other operating expenses	49	37	57	55	114
Total Expenses	**49**	**37**	**57**	**55**	**114**
Result from operations	**(6)**	**7**	**4**	**1**	**0**
Transfer to Consolidated Fund	0	0	0	0	0
Net Result from Operations	**(6)**	**7**	**4**	**1**	**0**

Comment

The increased appropriation and corresponding expenses for 2000-01 was due to additional funds being provided for the Commonwealth Parliamentary Association Conference held in Hobart during October 2001. The funds for this Conference were provided in advance.

Administered Assets and Liabilities

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receivables	0	0	0	1	0
Total Current Assets	**0**	**0**	**0**	**1**	**0**
Payables	11	3	0	0	0
Total Current Liabilities	**11**	**3**	**0**	**0**	**0**
Net Assets	**(11)**	**(3)**	**0**	**1**	**0**
Retained surpluses	(11)	(3)	0	1	0
Total Equity	**(11)**	**(3)**	**0**	**1**	**0**

Comment

Nil

Administered Cash Flows

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations				55	114
Payments to suppliers and employees				(55)	(114)
Cash from operations				**0**	**0**
Net increase in cash				**0**	**0**
Cash at the beginning of the period				0	0
Cash at end of the period				**0**	**0**

Comment

The Legislature-General has only been required to prepare administered cash flows for the last two years.

2. MINISTERIAL DEPARTMENTS

INTRODUCTION

State Government Departments are established by order of the Governor under the provisions of the *State Service Act 2000* (SSA), on the recommendation of the Minister responsible. Ministerial responsibility for departments is assigned under the provisions of the *Administrative Arrangements Act 1990*.

Government departments are those listed in Schedule 1 of the SSA.

This part of the Report provides information on Government departments. The information on each department is summarised under the following headings:

- Audit of the 2000-01 Financial Statements;
- Financial Results;
- Financial Analysis; and
- Additional Financial Information.

The disclosures under Financial Results, Financial Analysis and Additional Financial Information are derived from the Accrual segments of the full audited financial statements which include Cash and Accrual components. The reporting framework for departments is prescribed through Treasurer's Instructions issued under the *Financial Management and Audit Act 1990* and the requirements of Australian Accounting Standard AAS 29, 'Financial Reporting by Government Departments.' Full (unabridged) financial statements are required to be published as part of Government departments' annual reports to Parliament by 30 November following the end of the financial year; they then become public documents.

This year was the first year all departments complied with revised accounting standard AAS 1 'Statement of Financial Performance' and new standards AAS 36 'Statement of Financial Position', AAS 37 'Financial Report Presentation and Disclosures', and AAS 38 'Revaluation of Non-Current Assets'. In line with these new and revised standards, Treasurer's Instructions relating to financial statement disclosures were reissued, and placed more of an emphasis on departments' accrual performance, in line with the Government's preparation for full accrual budgeting, which is planned to take place from 2003-04, and also required preparation of an administered statement of cash flows to assist in the preparation of the Government's Consolidated Financial Statements.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	DOE[1]	DHHS[2]	DIER[3]	DJIR[4]	DPPS[5]	DPAC[6]	DPIWE[7]	DSD[8]	DTF[9]
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	562 284	659 596	122 338	53 825	107 194	26 960	81 138	75 973	22 986
Commonwealth grants	14 116	14 975	5 347	123	856	2 444	31 996	11 053	0
User charges, fees and fines	428	91 239	539	6 341	1 577	4 784	12 466	6 320	443
Other operating revenue	30 316	41 125	2 474	1 985	3 046	1 339	15 340	11 251	792
Non-operating revenue	368	0	1 437	0	219	2	2 243	7 641	0
Total Revenue	**607 512**	**806 935**	**132 135**	**62 274**	**112 892**	**35 529**	**143 183**	**112 238**	**24 221**
Borrowing costs	0	15 512	0	0	0	0	0	6 957	0
Depreciation	18 459	24 927	66 693	6 446	1 788	124	7 002	1 017	26
Other operating expenses	601 488	764 082	86 255	62 290	111 238	34 517	132 767	90 500	24 117
Non-operating expenses	7 551	23 959	0	0	668	5	14 188	15 506	0
Total Expenses	**627 498**	**828 480**	**152 948**	**68 736**	**113 694**	**34 646**	**153 957**	**113 980**	**24 143**
Result from Ordinary Activities	**(19 986)**	**(21 545)**	**(20 813)**	**(6 462)**	**(802)**	**883**	**(10 774)**	**(1 742)**	**78**

[1] Department of Education
[2] Department of Health and Human Services
[3] Department of Infrastructure, Energy and Resources
[4] Department of Justice and Industrial Relations
[5] Department of Police and Public Safety
[6] Department of Premier and Cabinet
[7] Department of Primary Industries, Water and Environment
[8] Department of State Development
[9] Department of Treasury and Finance

Comment

Operating results for almost all departments have been negative or close to negative for the past few years since the adoption of accrual accounting and valuation of assets on a deprival basis. As departments primarily receive appropriations to maintain their service provision functions as opposed to capital funding, non-current assets are ageing faster than they are being replaced or renovated. In the case of the Department of Treasury and Finance (DTF), the bulk of its operations are treated as administered. Only DTF and the Departments of Health and Human Services (in relation to its housing functions) and State Development are allowed to borrow and invest, hence other departments do not have borrowing costs.

FINANCIAL POSITION

	DOE	DHHS	DIER	DJIR	DPPS	DPAC	DPIWE	DSD	DTF
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	53 626	32 015	14 150	2 315	2 334	3 457	41 706	21 388	2 244
Receivables	3 157	8 714	213	1 167	919	825	1 321	1 180	20
Investments	0	0	0	0	0	0	0	0	0
Inventories	0	5 553	97	0	387	0	2 016	0	0
Other	4 755	10 964	1 150	436	159	248	1 935	14 236	104
Total Current Assets	**61 538**	**57 246**	**15 610**	**3 918**	**3 799**	**4 530**	**46 978**	**36 804**	**2 368**
Property, Plant And Equipment	781 511	1 075 559	2 675 970	74 381	57 126	348	462 540	46 839	265
Investments	0	60 025	0	0	0	0	0	10 591	0
Other	0	388	255	1 100	0	0	0	20 866	0
Total Non-Current Assets	**781 511**	**1 135 972**	**2 676 225**	**75 481**	**57 126**	**348**	**462 540**	**78 296**	**265**
Payables	5 591	20 256	1 877	2 241	1 452	323	1 596	3 056	175
Borrowings	0	49 759	0	0	0	0	0	51 167	0
Provisions	17 323	39 508	4 673	5 141	14 933	2 419	8 070	2 542	1 710
Other	11 233	25 883	0	0	0	0	176	1 105	0
Total Current Liabilities	**34 147**	**135 406**	**6 550**	**7 382**	**16 385**	**2 742**	**9 842**	**57 870**	**1 885**
Borrowings	0	273 549	0	0	0	0	0	30 486	0
Provisions	61 971	56 105	4 815	5 857	14 327	2 435	11 120	2 522	2 251
Other	0	0	0	0	0	0	2 022	1 108	0
Total Non-Current Liabilities	**61 971**	**329 654**	**4 815**	**5 857**	**14 327**	**2 435**	**13 142**	**34 116**	**2 251**
Net Assets	**746 931**	**728 158**	**2 680 470**	**66 160**	**30 213**	**(299)**	**486 534**	**23 114**	**(1 503)**
Capital	0	6 094	0	0	0	0	0	0	0
Reserves	4 212	214 832	126	0	0	0	53 771	2 967	0
Retained Surpluses	742 419	507 232	2 680 344	66 160	30 213	(299)	432 763	20 147	(1 503)
Total Equity	**746 631**	**728 158**	**2 680 470**	**66 160**	**30 213**	**(299)**	**486 534**	**23 114**	**(1 503)**

Comment

The Department of Premier and Cabinet (DPAC) traditionally has not held many assets, yet has had sizeable employee entitlement liabilities. Thus it has had a negative net asset position for a number of years. Similarly, DTF classifies most of its assets as administered, which means its employee entitlements liabilities are not offset by a similar amount of property or current assets.

CASH POSITION

	DOE $'000s	DHHS $'000s	DIER $'000s	DJIR $'000s	DPPS $'000s	DPAC $'000s	DPIWE $'000s	DSD $'000s	DTF $'000s
Appropriations	562 284	659 596	122 338	53 826	107 194	26 960	81 138	75 973	22 986
Commonwealth grants	14 116	14 975	5 347	123	864	2 444	31 996	11 115	0
Receipts from customers	51 133	137 790	3 707	10 198	6 570	7 421	30 889	49 749	1 560
Payments to suppliers and employees	(627 483)	(773 051)	(76 190)	(63 485)	(113 110)	(35 710)	(135 642)	(128 847)	(23 654)
Interest received	2 322	0	0	0	0	0	0	5 565	0
Borrowing costs	0	(15 458)	0	0	0	0	0	(7 972)	0
Cash from operations	**2 372**	**23 852**	**55 202**	**662**	**1 518**	**1 115**	**8 381**	**5 583**	**892**
Proceeds from investments	0	1 803	0	0	0	0	0	15 999	0
Payments for investments	0	0	0	0	0	0	0	(8 169)	0
Payments for P, P & Equipment	(15 111)	(34 714)	(47 438)	0	(121)	(136)	(4 254)	(2 351)	(184)
Proceeds from sale of P, P & E	368	17 622	12	0	219	2	615	0	0
Cash used in investing activities	**(14 743)**	**(15 289)**	**(47 426)**	**0**	**98**	**(134)**	**(3 639)**	**5 479**	**(184)**
Repayment of borrowings	0	(5 926)	0	0	0	0	0	(3 778)	0
Cash from financing activities	**0**	**(5 926)**	**0**	**0**	**0**	**0**	**0**	**(3 778)**	**0**
Net increase in cash	**(12 371)**	**2 637**	**7 776**	**662**	**1 616**	**981**	**4 742**	**7 284**	**708**
Cash at the beginning of the period	65 997	29 378	6 374	1 653	718	2 476	36 964	14 104	1 536
Cash at end of the period	**53 626**	**32 015**	**14 150**	**2 315**	**2 334**	**3 457**	**41 706**	**21 388**	**2 244**

Comment

'Payments to Suppliers and Employees' also includes controlled grant disbursements for a number of departments. DOE received $18.9 m under the Networking the Nation program last year. This money has begun to be spent this year and is shown under 'Payments to Suppliers and Employees'. Due to its size and portfolio, DHHS predictably had the largest cash disbursements this year. All departments were in a net cash inflow position at year end, and this is expected, due to the current cash budgeting process.

FINANCIAL ANALYSIS

	Bench Mark	DOE	DHHS	DIER	DJIR	DPPS	DPAC	DPIWE	DSD	DTF
Financial Performance										
Result from operations ($'000s)		(12 803)	(21 545)	(22 250)	(6 462)	(802)	886	(94 480)	6 123	78
Operating margin	>1.0	0.98	0.98	0.85	0.91	1.00	1.03	0.14	1.06	0.01
Financial Management										
Current ratio	>1	1.80	0.42	2.38	0.53	0.23	1.65	4.77	0.64	1.26
Debt collection	30 days	43	24	388	51	31	35	42	25	17
Creditor turnover	30 days	23	20	6	27	24	13	12	25	3
Other information										
Staff numbers		7 485	6 710	601	700	1 474	250	1 404	463	271
Average staff costs ($'000s)		55	47	49	59	57	73	48	55	58

Comment

The negative operating results have been discussed above. The current ratio is less than 1 for a number of departments due to the fact that they rely mostly on their appropriation for continued operation, rather than self-generated revenue, which if received, is usually classified as administered.

Debt collection of controlled revenue can be problematic for a number of departments, such as DIER, as the debtors usually are other government bodies, such as local councils, which traditionally do not pay intra-government creditors on time.

Staff costs include salaries, leave payments and on-costs paid during the year. DPAC has the highest average staff costs, and it has remained at this level for the past five-years. DTF's average staff costs increased from 52 to 58 this year as an effect of adjusting an understatement of leave entitlements from the previous year.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Controlled Operating Statement or Statement of Financial Position or Statement of Cash Flows.

Administered Revenues and Expenses

	DOE	DHHS	DIER	DJIR	DPPS	DPAC	DPIWE	DSD	DTF
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	33 427	10 433	50 854	3 676	0	1 836	12 449	4 378	456 536
Commonwealth grants	141 992	75 999	32 355	0	0	1 810	5 690	0	1 299 282
User charges, fees and fines	6 893	4 917	36 343	15 896	492	15 587	45 865	0	573 347
Other operating revenue	1 261	270	187 212	4 731	156	558	198 418	1 172	328 396
Total Revenue	**183 573**	**91 619**	**306 764**	**24 303**	**648**	**19 791**	**262 422**	**5 550**	**2 657 561**
Borrowing costs	0	0	0	0	0	0	16 665	0	115 923
Depreciation	0	0	15	0	0	298	187 218	0	6 951
Grants and subsidies	102 336	203	0	17 059	0	1 461	0	2 409	117 647
Other operating expenses	0	16 720	221 310	6 081	766	18 200	9 952	3 313	307 003
Total Expenses	**102 336**	**16 923**	**221 325**	**23 140**	**766**	**19 959**	**213 835**	**5 722**	**547 524**
Result from operations	**81 237**	**74 696**	**85 439**	**1 163**	**(118)**	**(168)**	**48 587**	**(172)**	**2 110 037**
Transfer to the consolidated fund	81 325	75 998	67 577	0	443	9	50 943	0	2 001 166
Net Result from Operations	**(88)**	**(1 302)**	**17 862**	**1 163**	**(561)**	**(177)**	**(2 356)**	**(172)**	**108 871**

Comment

As noted above, the majority of DTF's activities are on an administered basis, as a central funding agency. DOE's administered transactions relate primarily to funding government and private schools. DPIWE collects a considerable amount of revenue (included under 'Other Operating Revenue' due to its function as the lead agency for Service Tasmania). The majority of administered revenue received by departments are paid under grants and subsidies, or are remitted to DTF's Consolidated Fund. A third type of transaction is carried out on behalf of public bodies within the Department's ministerial portfolio, and can include salaries, receipts and payments.

Administered Assets and Liabilities

	DOE	DHHS	DIER	DJIR	DPPS	DPAC	DPIWE	DSD	DTF
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	101	4 359	1 819	528	559	14 994	11 593	156	728 623
Receivables	10	0	64	7 348	0	2 526	3 491	0	46 354
Investments	0	0	0	15 896	0	0	625	0	38 002
Inventories	0	0	0	0	0	0	0	0	0
Other	0	0	1 763	0	0	377	253	0	2 229
Total Current Assets	**111**	**4 359**	**3 646**	**23 772**	**559**	**17 897**	**15 962**	**156**	**815 208**
Property, plant & equipment	0	0	50	0	0	674	0	0	86 999
Investments	0	0	406 061	0	0	0	0	19 672	718 034
Other	0	0	5	0	0	0	0	0	711
Total Non-Current Assets	**0**	**0**	**406 116**	**0**	**0**	**674**	**0**	**19 672**	**805 744**
Payables	0	2 547	980	673	0	587	0	0	614
Borrowings	33	365	0	0	0	0	0	0	876 446
Provisions	0	0	238	0	0	897	0	0	101 206
Other	0	4 359	2 332	0	0	129	191	0	226 222
Total Current Liabilities	**33**	**7 271**	**3 550**	**673**	**0**	**1 613**	**191**	**0**	**1 204 488**
Borrowings	33	0	0	0	0	0	0	0	883 519
Provisions	0	0	258	0	0	88	0	0	1 575 747
Other	0	0	0	12	0	0	0	0	51 253
Total Non-Current Liabilities	**33**	**0**	**258**	**12**	**0**	**88**	**0**	**0**	**2 510 519**
Net Assets	**45**	**(2 912)**	**405 954**	**23 087**	**559**	**16 870**	**15 771**	**19 828**	**(2 094 055)**
Capital	0	0	0	0	0	0	0	0	0
Reserves	0	0	0	0	0	0	0	0	0
Retained surpluses/(losses)	45	(2 912)	405 954	0	559	16 870	15 771	19 828	(2 094 055)
Total Equity	**45**	**(2 912)**	**405 954**	**7 191**	**559**	**16 870**	**15 771**	**19 828**	**(2 094 055)**

Comment

Administered assets and liabilities in relation to debtors and creditors can vary depending on the related revenues and expenditures for each year with regard to grants and consolidated revenue collected. The accumulated losses for DHHS relates to its borrowings taken out to fund the department’s employee redundancy program, while DTF’s losses relate to the State’s unfunded superannuation liability.

Administered investments for DIER and DTF represent the relevant Ministers’ equity holdings in Port Corporations, TT-Line Company, Transend Networks, Metro, Aurora Energy and TOTE Tasmania.

Administered Cash Flows

	DOE	DHHS	DIER	DJIR	DPPS	DPAC	DPIWE	DSD	DTF
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	33 427	0	50 854	3 676	0	1 836	12 449	4 378	456 535
Commonwealth grants	141 992	0	32 355	0	0	1 811	5 690	0	1 299 282
Receipts from customers	8 191	0	211 787	15 896	648	17 505	242 272	549	830 598
Payments to suppliers and employees	(183 749)	0	(297 031)	(21 042)	(1 127)	(21 147)	(264 261)	(6 271)	(2 311 139)
Interest received	0	0	118	0	0	4	0	743	30 195
Borrowing costs	0	0	0	0	0	0	0	0	(134 358)
Cash from operations	**(139)**	**0**	**(1 917)**	**(1 470)**	**(479)**	**9**	**(3 850)**	**(601)**	**171 113**
Proceeds from investments	0	0	0	0	0	0	0	757	38 224
Payments for investments	0	0	0	0	0	0	0	0	(4 495)
Payments for P, P & Equipment	0	0	(14)	0	0	(414)	0	0	(37 353)
Proceeds from sale of P, P & E	0	0	0	0	0	0	0	0	25 468
Cash used in investing activities	**0**	**0**	**(14)**	**0**	**0**	**(414)**	**0**	**757**	**21 844**
Proceeds from borrowings	0	0	0	0	0	0	0	0	0
Repayment of borrowings	0	0	0	0	(125)	0	0	0	(35 286)
Cash from financing activities	**0**	**0**	**0**	**0**	**(125)**	**0**	**0**	**0**	**(35 286)**
Net increase in cash	**(139)**	**0**	**(1 931)**	**(1 470)**	**(604)**	**(405)**	**(3 850)**	**156**	**157 671**
Cash at the beginning of the period	240	4 176	3 750	670	1 163	15 399	15 443	0	566 870
Cash at end of the period	**101**	**4 176**	**1 819**	**(800)**	**559**	**14 994**	**11 593**	**156**	**724 541**

Comment

As noted above, this was the first year that departments were required to prepare a statement of administered cash flows. As with the statement of controlled cash flows, all departments had a net cash inflow position at year end due to the current cash budgeting approach.

OVERALL COMMENT

The impact of cash appropriations aimed primarily at maintaining service provision functionality as well as the split between controlled and administered transactions create some prima facie variances when compared to benchmarks, as well as the effects of lower levels of funding infrastructure renewal.

2.1 DEPARTMENT OF EDUCATION

INTRODUCTION

The Department of Education was formed on 18 September 1998 as a result of Administrative Arrangements Order (No 2) 1998. The Department's areas of responsibility during 2000-01 included:

- State Schools and Colleges
- TAFE Tasmanian
- State Library Service
- Archives Office of Tasmania
- Strategic Development and Evaluation Services

The Portfolio Minister for the Department is the Minister for Education.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of the Department of Education were received on 31 August 2001 and an unqualified audit report was issued on 12 October 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	401 680	439 754	527 080	549 203	562 284
Commonwealth grants	5 769	6 373	12 407	35 701	14 116
User charges, fees and fines	311	441	533	478	428
Other operating revenue	27 523	26 709	26 843	34 155	30 316
Non-operating revenue		937		1 780	368
Total Revenue	**435 283**	**474 214**	**566 863**	**621 317**	**607 512**
Depreciation	18 027	18 284	18 324	18 312	18 459
Other operating expenses	430 974	459 130	547 689	587 092	601 488
Non-operating expenses	12 975	1 433	17 691	3 243	7 551
Total Expenses	**461 976**	**478 847**	**583 704**	**608 647**	**627 498**
Result from Ordinary Activities	**(26 693)**	**(4 633)**	**(16 841)**	**12 670**	**(19 986)**

Comment

Appropriations increased in 1998-99 due to the restructuring of the Department and the inclusion of the Office of Vocational Education and Training (OVET). This also resulted in higher operating expenses for that year.

In 1999-00, Commonwealth grants included an additional $18.9 million under the Networking the Nation program. This had the effect of producing an overall surplus for the year.

Non-operating expenses for 1996-97 relates principally to the transfer of a college campus to another department for nil consideration, whilst expenses in 1998-99 are principally due to departmental restructuring. In 2000-01, non-operating expenses included the write-down of the Reece High School that was destroyed by fire in December 2000. These events have resulted in large negative results for those years.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	14 792	33 883	39 824	65 997	53 626
Receivables	3 567	1 381	1 857	1 711	3 157
Other	124	92	103	445	4 755
Total Current Assets	**18 483**	**35 356**	**41 784**	**68 153**	**61 538**
Property, plant & equipment	827 336	819 252	793 951	792 337	781 511
Other	178	236	0	0	0
Total Non-Current Assets	**827 514**	**819 488**	**793 951**	**792 337**	**781 511**
Payables	2 603	3 594	2 913	5 663	5 591
Provisions	13 541	14 262	14 346	14 455	17 323
Other	8 281	12 120	13 783	12 038	11 233
Total Current Liabilities	**24 425**	**29 976**	**31 042**	**32 156**	**34 147**
Provisions	48 248	55 356	52 718	61 144	61 971
Total Non-Current Liabilities	**48 248**	**55 356**	**52 718**	**61 144**	**61 971**
Net Assets	**773 324**	**769 512**	**751 975**	**767 190**	**746 931**
Reserves	0	0	0	4 212	4 212
Retained surpluses	773 324	769 512	751 975	762 978	742 719
Total Equity	**773 324**	**769 512**	**751 975**	**767 190**	**746 931**

Comment

In each year, the cash holding includes cash held by schools and colleges. In 1999-00, cash included an additional $18.9 million under the Networking the Nation program, which is to be spent over a number of years.

In 2000-01, the increase in receivables has been due to the impact of the GST, and computer software problems that have hampered follow-up procedures.

Other current assets for 2000-01 includes a GST tax credit of $3.2 million.

Payables have increased in later years, principally due to improved recognition policies and the impact of the GST.

Provisions have increased in the past two years due to a leave validation program within the department that has resulted in more accurate leave balances.

Reserves in 1999-00 consists of an asset revaluation reserve for land and buildings, following a revaluation of departmental assets.

CASH POSITION

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	401 679	439 754	527 080	549 203	562 284
Commonwealth grants	5 769	6 373	12 407	35 701	14 116
Receipts from customers	27 068	29 155	26 695	33 322	51 133
Payments to suppliers and emloyees	(419 276)	(445 724)	(550 213)	(577 871)	(627 483)
Interest received	0	0	0	1 267	2 322
Cash from operations	**15 240**	**29 558**	**15 969**	**41 622**	**2 372**
Payments for P, P & Equipment	(18 302)	(10 917)	(10 149)	(15 562)	(15 111)
Proceeds from sale of P, P & E	194	450	121	113	368
Cash used in investing activities	**(18 108)**	**(10 467)**	**(10 028)**	**(15 449)**	**(14 743)**
Net increase in cash	**(2 868)**	**19 091**	**5 941**	**26 173**	**(12 371)**
Cash at the beginning of the period	17 661	14 792	33 883	39 824	65 997
Cash at end of the period	**14 793**	**33 883**	**39 824**	**65 997**	**53 626**

Comment

In 1999-00, Commonwealth grants included an additional $18.9 million under the Networking the Nation program.

Both receipts to customers and payments to suppliers and employees increased significantly in 2000-01 due to GST refunds and payments.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(13 718)	(4 137)	850	14 133	(12 803)
Operating margin	>1.0	0.97	0.99	1.00	1.02	0.98
Financial Management						
Current ratio	>1	0.76	1.18	1.35	2.12	1.80
Debt collection	30 days	45	32	27	19	43
Creditor turnover	30 days	29	25	18	22	23
Other information						
Staff numbers FTEs		7 506	7 481	7 274	7 538	7 485
Average staff costs ($'000s)		46	48	52	52	55

Comment

The surplus in 1999-00 is due mainly to additional Commonwealth grants of $18.9 million as part of Networking the Nation program.

The current ratio has increased in latter years, due to the larger cash balances being held by the Department.

Outstanding receivables have increased during 2000-01 primarily due to the GST component.

OVERALL COMMENT

Several issues were raised with management following the completion of the 2000-01 Audit. These included the need for regular completion of bank account reconciliations and improved procedures for the follow-up of outstanding debtors.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Statements of Financial Performance or Financial Position.

Administered Revenues and Expenses

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	32 385	39 445	35 052	37 987	33 427
Commonwealth grants	38 993	97 274	122 592	135 832	141 992
User charges, fees and fines	7 404	7 050	7 142	6 926	6 893
Other operating revenue	1 208	1 372	2 636	1 258	1 261
Total Revenue	**79 990**	**145 141**	**167 422**	**182 003**	**183 573**
Grants and subsidies	32 970	87 435	88 148	103 748	102 336
Total Expenses	**32 970**	**87 435**	**88 148**	**103 748**	**102 336**
Result from operations	**47 020**	**57 706**	**79 274**	**78 255**	**81 237**
Transfer to Consolidated Fund	47 605	57 715	77 635	79 221	81 325
Net Result from Operations	**(585)**	**(9)**	**1 639**	**(966)**	**(88)**

Comment

Administered revenues come from a variety of sources including appropriations from Government, Commonwealth grants and departmental fees and charges. The largest component in respect to the Department of Education is Commonwealth grants which are received and used for funding of public schools, private schools and TAFE colleges.

Grant revenues and expenditures have increased in the last three years due principally to additional funding related to TAFE and IT issues.

Transfers to the consolidated fund represent Commonwealth funds received for TAFE and public schools.

Administered Assets and Liabilities

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	0	0	1 468	240	101
Receivables	51	9	26	47	10
Total Current Assets	**51**	**9**	**1 494**	**287**	**111**
Borrowings	195	237	269	87	33
Total Current Liabilities	**195**	**237**	**269**	**87**	**33**
Borrowings	390	301	126	67	33
Total Non-Current Liabilities	**390**	**301**	**126**	**67**	**33**
Net Assets	**(534)**	**(529)**	**1 099**	**133**	**45**
Retained surpluses	(534)	(529)	1 099	133	45
Total Equity	**(534)**	**(529)**	**1 099**	**133**	**45**

Comment

Cash balances can vary often due to timing issues.

Borrowings represent monies owed to the consolidated fund for costs associated with an employment rationalisation program, which are being repaid over a number of years.

Administered Cash Flows

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations				37 987	33 427
Commonwealth grants				135 832	141 992
Receipts from customers				8 163	8 191
Payments to suppliers and emloyees				(183 210)	(183 749)
Cash from operations				**(1 228)**	**(139)**
Net increase in cash				**(1 228)**	**(139)**
Cash at the beginning of the period				1 468	240
Cash at end of the period				**240**	**101**

Comment

Departments have only been required to prepare administered cash flow statements for the past two years.

2.2 DEPARTMENT OF HEALTH AND HUMAN SERVICES

INTRODUCTION

The Department of Health and Human Services (DHHS) provides integrated services in the areas of health, housing, ambulance, and community services to people in Tasmania. These services are provided through the following output groups:

- Health Advancement – Scientific services, health and well-being outcomes populations group, family, child and youth health services, oral health services, alcohol and drug services, cancer screening and control services, policy advice and those provided by public and environmental perform both a health advancement and health protection role;
- Community and Rural Health – the Department delivers individual services in community settings to people who require disability services, mental health services, palliative care services, aged care, rural and community health services;
- Child, Youth and Family Support – services are directed to improving the safety and well being of children, individuals, families and communities. This includes providing crisis support and accommodation, alternate care services for children who are unable to live with their families, local and overseas adoption services, services for women experiencing domestic violence and supervision, support and custodial services for young offenders;
- Hospitals and Ambulance Service – a wide range of specialist hospital based treatment and care is provided through the State hospital system. The Tasmanian Ambulance Service provides emergency ambulance care, rescue and transport services; and
- Housing Services – the major focus is to ensure that low income Tasmanians have access to adequate, affordable, appropriate and secure housing options. In addition to the provision of public housing, low income Tasmanians may be provided with financial assistance to access or maintain housing in the private rental market or be assisted to purchase their own home through the Home Ownership Assistance Program (HOAP); and

The Portfolio Minister is the Minister for Health and Human Services.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements of the Department of Health and Human Services were signed by the secretary of the Department on 31 August 2001 and subsequently re-signed on 26 November 2001. An unqualified audit report was issued on that same day.

Signed Home Ownership Assistance Program (HOAP) and Housing Services statements were also received on 31 August 2001, while signed statements for the

Tasmanian Ambulance Service were received on 26 November 2001. An unqualified opinion on the Tasmanian Ambulance Service statement was issued on the date of receipt noted above, while the audit of the other Health Department entities is currently in progress.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations	175 822	572 887	621 939	621 003	659 596
Commonwealth grants	0	0	0	10 748	14 975
User charges, fees and fines	48 461	111 704	104 138	93 415	84 779
Other operating revenue	17 208	37 334	46 244	40 170	47 585
Non-operating revenue	0	211 650	0	0	0
Total Revenue	**241 491**	**933 575**	**772 321**	**765 336**	**806 935**
Borrowing costs	17 610	16 615	15 952	15 441	15 512
Depreciation	15 435	28 372	24 448	23 873	24 927
Other operating expenses	203 184	728 230	671 796	728 445	788 041
Non-operating expenses	786	6 833	7 463	0	0
Total Expenses	**237 015**	**780 050**	**719 659**	**767 759**	**828 480**
Result from Ordinary Activities	**4 476**	**153 525**	**52 662**	**(2 423)**	**(21 545)**

Comment

In 1997 the *Health (Regional Boards) Act 1991* was repealed effective 1 July 1997 and replaced by the *Health Act 1997*. The effect of this was that the Regional Health Boards ceased to exist from that date and responsibility for management and reporting of those activities was transferred to the Department. The assets and liabilities of the former boards were brought into the Department as at 1 July 1997. This amalgamation significantly effects most of the revenue and expense line items movement from 1996-97 to 1997-98. Non-operating revenues in the 1997-98 financial year were unusually high as these included net revenues from restructuring of $211 650.

Increases in revenue in the 2000-01 year were mainly due to increases in recurrent appropriations of $36.529m and capital appropriations of $2.064 as part of the Government's commitment to maintaining health services within the State.

The main components of user charges, fees and fines are housing rental income, Inpatient, Outpatient and Nursing Home fees. This revenue item has steadily fallen since 1997-98 due to a reduction in the number of nursing homes around the State.

Other operating revenue is comprised of proceeds on the sale of non-current assets, namely housing stock and sundry revenues.

During 2000-01, operating expenses increased by $60.721m from the previous year. The increases can mainly be attributed to increases in other operating expenses $59.596m. Major movements relate to:

- Increases in employee entitlement costs ($424.816m in 2001, an increase of $35.278m). This results from increases in award rates, staffing levels and employee provisions.

- An increase in the written down value of disposed assets. The majority of this relates to Housing Tasmania ($19.217m in 2001, an increase of $5.358m), which launched the "Streets Ahead" sale incentive program during the year. This program provided assistance to 80% of all sales of Divisional stock.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	19 654	5 567	15 344	29 378	32 015
Receivables	1 303	7 603	6 691	7 100	8 714
Investments	335	163	154	0	0
Inventories	0	3 599	3 111	3 986	5 553
Other	228	8 613	9 289	11 457	10 964
Total Current Assets	**21 520**	**25 545**	**34 589**	**51 921**	**57 246**
Property, plant & equipment	900 067	1 099 637	1 100 251	1 117 366	1 075 559
Investments	75 208	69 327	66 275	61 725	60 025
Other	155	29	695	557	388
Total Non-Current Assets	**975 430**	**1 168 993**	**1 167 221**	**1 179 648**	**1 135 972**
Payables	4 073	18 144	22 442	22 267	20 256
Borrowings	8 179	8 320	57 396	50 716	49 759
Provisions	17 358	71 886	39 208	36 775	39 508
Other	574	45 721	13 668	21 920	25 883
Total Current Liabilities	**30 184**	**144 071**	**132 714**	**131 678**	**135 406**
Borrowings	338 077	335 252	277 664	278 307	273 549
Provisions	9 925	17 737	41 292	44 169	56 105
Total Non-Current Liabilities	**348 002**	**352 989**	**318 956**	**322 476**	**329 654**
Net Assets	**618 764**	**697 478**	**750 140**	**777 415**	**728 158**
Capital	6 094	6 094	6 094	6 094	6 094
Reserves	287 656	212 845	212 845	242 544	214 832
Retained surpluses	325 014	478 539	531 201	528 777	507 232
Total Equity	**618 764**	**697 478**	**750 140**	**777 415**	**728 158**

Comment

The movement in the cash balance from $19.654m in 1996-97 to $5.567m in 1997-98 was due to the fact that significant cash trading accounts were overdrawn at the end of 30 June 1998. The overdrawn accounts included the departmental trading account, which was overdrawn by approximately $5.800m, as well as each of the trading accounts of each of the 3 main hospitals in the state. These overdrafts were recorded as other current liabilities, which explains the peak in this item for the 1997-98 year.

During the 2000-01 year, the main asset movement related to the property, plant and equipment line item recording a $41.807m decrease. The main reason for this relates to a decrement of $30.294m made to the asset revaluation reserve after the signing of the 1999-00 financial statements. This adjustment was a result of an incorrect revaluation calculation relating to dwelling stock maintained by the Department.

Provisions increased by $14.669m during 2000-01. The majority of this increase relates to an increase in the Department's long service leave provision, which rose from $36.410m as at 30 June 2000 to $49.731m as at the end of 30 June 2001. Increases in award wages, staff tenure and staffing levels have all contributed to this movement. Key anomalies however were noted in the calculation process applied by the department, with the resultant effect being an adjustment of $8.121m to the long service leave balance.

CASH POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations	175 822	572 887	621 939	621 003	659 596
Commonwealth grants	4 693	0	0	9 830	14 975
Receipts from customers	54 706	145 577	137 756	120 458	137 790
Payments to suppliers and employees	(201 610)	(686 572)	(698 248)	(694 833)	(773 263)
Interest received	0	0	0	0	0
Borrowing costs	(18 485)	(16 611)	(15 952)	(15 441)	(15 458)
Cash from operations	**15 126**	**15 281**	**45 495**	**41 017**	**23 640**
Proceeds from investments	0	0	0	3 069	1 803
Payments for investments	(2 451)	(2 541)	(2 222)		0
Payments for P, P & Equipment	(20 748)	(50 684)	(41 688)	(35 311)	(34 714)
Proceeds from sale of P, P & E	6 239	16 254	13 538	9 949	17 622
Cash used in investing activities	**(16 960)**	**(36 971)**	**(30 372)**	**(22 293)**	**(15 289)**
Proceeds from borrowings	0	5 155	0	0	0
Repayment of borrowings	(740)	0	(5 346)	(8 344)	(5 714)
Cash from financing activities	**(740)**	**5 155**	**(5 346)**	**(8 344)**	**(5 714)**
Net increase in cash	**(2 574)**	**(16 535)**	**9 777**	**10 380**	**2 637**
Cash at the beginning of the period	22 228	22 102	5 567	18 998	29 378
Cash at end of the period	**19 654**	**5 567**	**15 344**	**29 378**	**32 015**

Comment

The rise in both receipts from customers, appropriations and payments to suppliers and employees in the 1997-98 year is due to the board amalgamation process noted above.

As noted previously, the Department received additional appropriations during the 2000-01 financial year to meet increasing payments to suppliers and employees. Movements in proceeds from sale of property plant and equipment mainly relates to the increased sale of dwelling stock by the Housing Division.

Overall, there has been a general increase in the level of cash over the five-year period of $9.787m. This is principally due to a decrease in the level of expenditure for capital works over the past 2 years.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		5 262	(51 291)	60 125	(2 423)	(21 545)
Operating margin	>1.0	1.02	0.93	1.08	1.00	0.97
Financial Management						
Current ratio	>1	0.71	0.18	0.26	0.39	0.42
Debt collection	30 days	7	19	16	19	24
Creditor turnover	30 days	11	19	26	24	20
Other information						
Staff numbers FTEs		7 113	6 828	6 745	6 710	6 819
Average staff costs ($'000s)		52	55	53	56	47

Comment

The Department's operating result fluctuates markedly from year to year. As the Department relies mainly on its annual appropriation from Government, the recorded losses have had little impact on the agency, as the operating margin generally reflects results close to the benchmark.

Similarly, the current ratio is low, but this is significantly influenced by level of employee entitlements noted as a current liability. Generally, not all of this current liability is paid out during the year, but is noted as current to reflect the total liability that has accrued to employees.

The calculation of debt collection and creditor turnover above does not truly represent the current situation in the Department. Creditor payments are on a basis of 45 days and deficiencies were noted in the follow-up of debtors during the 2000-01 year.

OVERALL COMMENT

The audit of the financial statements for the 2000-01 year was completed with generally satisfactory results.

However, concerns were raised over the Department's maintenance of its asset register. Anomalies were noted in the addition, deletion, systematic checking, classification, reconciliation and general upkeep of records. Procedures that are currently operating would appear to be in breach of Treasury Instruction 901 on Asset Registers.

Also during the course of the audit, we highlighted some deficiencies in the calculation of the long service leave liability. An adjustment was made, which was noted above, but concerns are noted on the magnitude of the error that was not identified by Departmental staff.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Statements of Financial Performance and Financial Position.

Administered Revenues and Expenses

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	0	1 193	8 747	11 948	10 433
Commonwealth grants	75 121	73 194	68 973	69 012	75 999
User charges, fees and fines	924	766	1 518	7 793	4 917
Other operating revenue	403 919	0	510	689	270
Total Revenue	**479 964**	**75 153**	**79 748**	**89 442**	**91 619**
Grants and subsidies	0	0	0	8	203
Other operating expenses	402 444	766	10 890	16 903	16 720
Total Expenses	**402 444**	**766**	**10 890**	**16 911**	**16 923**
Result from operations	**77 520**	**74 387**	**68 858**	**72 531**	**74 696**
Transfer to Consolidated Fund	75 121	73 194	68 973	69 012	75 998
Net Result from Operations	**2 399**	**1 193**	**(115)**	**3 519**	**(1 302)**

Comment

Administered operating revenue and expenses in the 1996-97 year were significantly high due to the amalgamation of the results of the previous three health boards. Upon this amalgamation these administered results were eliminated upon consolidation.

Recurrent appropriations for the 2000-01 year includes a Community Service Activity (CSA) of $9.826m for the provision of pensioner concessions to Aurora Energy Pty Ltd.

Commonwealth grant funds are transferred to the Consolidated Fund for later appropriation. Larger items for the 2000-01 year included funding under the Commonwealth State Housing Agreement (CSHA) of $28.126m, Disability Services of $15.563m, Home and Community Care (HACC) totalling $14.673m and Support Accommodation Assistance Program (SAAP) of $6.604m.

Administered Assets and Liabilities

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	0	1 177	2 456	4 176	4 359
Total Current Assets	**0**	**1 177**	**2 456**	**4 176**	**4 359**
Payables	38	0	2 586	0	2 547
Borrowings	3 546	1 659	1 280	544	365
Provisions	0	0	0	0	0
Other	0	1 177	2 456	4 176	4 359
Total Current Liabilities	**3 584**	**2 836**	**6 322**	**4 720**	**7 271**
Borrowings	3 512	1 093	202	365	0
Total Non-Current Liabilities	**3 512**	**1 093**	**202**	**365**	**0**
Net Assets	**(7 096)**	**(2 752)**	**(4 068)**	**(909)**	**(2 912)**
Retained surpluses	(7 096)	(2 752)	(4 068)	(909)	(2 912)
Total Equity	**(7 096)**	**(2 752)**	**(4 068)**	**(909)**	**(2 912)**

Comment

The major administered item of borrowings relates to the employee rationalisation program, which has been gradually wound back since the 1996-97 financial year. The only other material items, noted during 2000-01 are cash of $4.359m, representing the balance of the Treasury trust account, which is offset by the other liabilities balance of $4.359m, and the large payables balance of $2.547m that represents a CSA payment payable to Aurora Pty. Ltd.

Administered Cash Flows

The Department has only been required to prepare an administered statement of cash flows for the past year. At the time of preparing this report cash flow information was not available.

2.3 DEPARTMENT OF INFRASTUCTURE, ENERGY AND RESOURCES

INTRODUCTION

The Department of Infrastructure, Energy and Resources (DIER) was formed in September 1998 under Administrative Arrangements Order (No 2) 1998. This Order amalgamated all of the functions of the former Department of Transport, Office of Energy Planning and Conservation and Workplace Standards Authority. In addition, DIER assumed the functions of Mineral Resources Tasmania and the Local Government Building and Plumbing Regulation Unit, and relinquished those relating to the Workers' Rehabilitation and Compensation Tribunal. During 1999-00 the regulatory and policy functions of the former Racing Tasmania were integrated into the Department. The Department also administers payments for the Forest Practices Board.

The Department of Infrastructure, Energy and Resources brings together the significant infrastructure activities of the State Government. Its goals are to:

- Deliver a strategic approach to the provision of infrastructure;
- Facilitate a safe, accessible and equitable transport system that enhances economic development;
- Promote reliable, efficient and safe energy systems;
- Promote energy conservation;
- Promote productive, safe workplaces where the rights of employees, employers, principals and the community are being met;
- Deliver compliance services in respect of Federal Awards, under contract to the Commonwealth Government;
- Facilitate mineral exploration and land management for Tasmanian land and offshore waters;
- Promote effective and efficient tenement management of the exploration and minerals industry for the Tasmanian community;
- Provide safe and accessible building and plumbing installation standards; and
- Maintain probity and integrity within the racing industry.

On behalf of the Minister for Infrastructure, Energy and Resources and the Minister for Racing and Gaming, the Department also provides independent strategic policy advice and support in relation to the Government's relationships with many Government Business Enterprises (GBEs), State-owned Companies (SOCs) and Statutory Authorities.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed statements were received on 31 August 2001. Following agreed amendments during the audit process revised financial statements were received on 14 November 2001. The audit opinion was issued on 15 November 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	111 820	102 279	119 799	131 011	122 338
Commonwealth grants	1 099	426	680	444	5 347
User charges, fees and fines	1 353	472	962	950	539
Other operating revenue	4 214	4 325	3 530	4 990	2 474
Non-operating revenue	161	580	414	13 099	1 437
Total Revenue	**118 647**	**108 082**	**125 385**	**150 494**	**132 135**
Depreciation	20 534	15 417	18 996	65 920	66 693
Other operating expenses	80 430	80 654	73 000	100 384	86 255
Non-operating expenses	119	11 733	2 281	236	0
Total Expenses	**101 083**	**107 804**	**94 277**	**166 540**	**152 948**
Result from Ordinary Activities	**17 564**	**278**	**31 108**	**(16 046)**	**(20 813)**

Comment

User Charges, Fees and fines has varied due to the one-off nature of larger items such as road works recoveries (e.g from Councils) and traffic signal recoveries. The decrease during 2000-01 reflects a reduction in the volume of once-off recoveries.

Non-Operating Revenue increased in 1999-00 principally due to revenue recognition on restructure amounting to $12.721m for transfer of roads from councils. In 2000-01 the major non-operating revenue item was $1.425m which recognised the transfer of responsibility of a Hobart CBD property to DIER from the Department of Treasury and Finance.

In 2000-01 Commonwealth revenue of $5.347m was received, the majority of which ($4.985m) was for a new project, namely the Western Tasmanian Regional Minerals Program.

From 1999-00 the Department changed its depreciation methodology to conform to the Urgent Issues Group determination on the treatment of depreciation for long-lived assets. This has resulted in a significant increase in the depreciation expense from that year onwards.

Included in “Other Operating Expenses” in 1999-00 was a revaluation decrement of $23.650m in relation to road infrastructure due to no reserves being available for offsetting the decrement. Similarly for 2000-01 there was a $12.320m write-down of the road infrastructure asset.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	407	522	1 325	6 374	14 150
Receivables	1 591	149	147	748	213
Inventories	106	267	196	124	97
Other	318	461	709	687	1 150
Total Current Assets	**2 422**	**1 399**	**2 377**	**7 933**	**15 610**
Property, plant & equipment	2 704 144	2 703 176	2 732 415	2 708 428	2 675 970
Other	275	270	259	255	255
Total Non-Current Assets	**2 704 419**	**2 703 446**	**2 732 674**	**2 708 683**	**2 676 225**
Payables	3 177	3 992	3 085	4 926	1 877
Provisions	2 857	2 839	4 330	4 803	4 673
Other	1 238	0	0	0	0
Total Current Liabilities	**7 272**	**6 831**	**7 415**	**9 729**	**6 550**
Provisions	4 222	4 263	4 690	4 897	4 815
Total Non-Current Liabilities	**4 222**	**4 263**	**4 690**	**4 897**	**4 815**
Net Assets	**2 695 347**	**2 693 751**	**2 722 946**	**2 701 990**	**2 680 470**
Reserves	2 692	23	4 458	363	126
Retained surpluses	2 692 655	2 693 728	2 718 488	2 701 627	2 680 344
Total Equity	**2 695 347**	**2 693 751**	**2 722 946**	**2 701 990**	**2 680 470**

Comment

As noted above, when DIER was formed in 1998-99 the former Department of Transport amalgamated with the Office of Energy Planning and Conservation and the Workplace Standards Authority and in addition the functions of Mineral Resources Tasmania and the Local Government Building and Plumbing Regulation Unit were assumed. This brought about increases in the balances for Payables and Employee Entitlement Provisions, as well as slight increases in Current and Non-Current Assets.

During 1999-00 cash increased by $5.049m mainly as a result of carry-overs of Consolidated Fund allocations for the Registration and Licensing Reform Project and Commonwealth road funding.

Cash for 2000-01 increased by $7.776m mainly as a result of carry-overs of Consolidated Fund allocations in relation to the Rehabilitation of Degraded Mineral

Lands, Registration and Licensing Review Project, written off Vehicle Register, Commonwealth Road Funding, Wiltshire Junction Rail Depot and the Mineral Resource Core Store. These carry-overs totalled $9.363m. In addition there was a carry-over of Commonwealth funds received for the Western Tasmanian Regional Minerals Program of $2.699m.

Receivables increased in 1999-00 by $0.601m due primarily to outstanding contributions from other State Road and Traffic Authorities relating to the Mass Access Project. In the same year, Payables increased by $1.841m due to accrued expenses relating to the Roads Program.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	109 063	101 853	119 119	130 111	122 338
Commonwealth grants	1 099	426	680	444	5 347
Receipts from customers	5 378	5 000	4 574	6 240	3 707
Payments to suppliers and emloyees	(79 859)	(71 025)	(74 679)	(75 039)	(76 190)
Cash from operations	**35 681**	**36 254**	**49 694**	**61 756**	**55 202**
Payments for P, P & Equipment	(36 575)	(36 184)	(49 840)	(56 990)	(47 438)
Proceeds from sale of P, P & E	161	580	414	283	12
Cash used in investing activities	**(36 414)**	**(35 604)**	**(49 426)**	**(56 707)**	**(47 426)**
Net increase (decrease) in cash	**(733)**	**650**	**268**	**5 049**	**7 776**
Cash at the beginning of the period	1 140	407	1 057	1 325	6 374
Cash at end of the period	**407**	**1 057**	**1 325**	**6 374**	**14 150**

Comment

Refer to above comments about the increase in Commonwealth grants during 2000-01. Payments for Property, Plant and Equipment mainly relate to road infrastructure. The amounts fluctuate due to particular works programs carried out by the Department which also is in part impacted on by the allocation of Commonwealth roads funding. Proceeds from sales of Property, Plant and Equipment vary from year to year depending on the type of assets sold. During 2000-01, the majority of the equipment disposed of was of minimal resale value.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		17 522	11 431	32 975	(28 909)	(22 250)
Operating margin	>1.0	1.17	1.12	1.36	0.83	0.85
Financial Management						
Current ratio	>1	0.33	0.20	0.32	0.82	2.38
Debt collection	30 days	429	115	56	57	26
Creditor turnover	30 days	7	8	19	17	6
Other information						
Staff numbers FTEs		506	436	555	619	601
Average staff costs ($'000s)		45	54	50	48	49

Comment

As noted above, there has been a large impact on the operating result by changing the basis of depreciation in 1999-00 from condition based to the useful life for the Department's road infrastructure assets. This has resulted in a deterioration of the operating margin. However, as the Department's main source of operating revenue is its annual appropriation from Government, it is not considered that the operating result is one that suggests there is a cause for concern.

Similarly, the current ratio is traditionally low for government departments due to the impact of employee entitlements on this fraction and the lack of reliance on self-generating revenue due to annual appropriations.

OVERALL COMMENT

It is likely that the operating result for the Department will continue to be negative due to the difference between capital works defined as improving the infrastructure asset and the estimated depreciation of the roads network calculated in accordance with accounting standards.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Statements of Financial Performance or Financial Position . Administered areas for the Department include the Forest Practices Board, the Workplace Safety Board, payments to school bus operators, payments to Metro Tasmania P/L in respect of the Company's Community Service Obligation and a range of other grants and subsidy items classified as Administered.

Administered Revenues and Expenses

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	30 239	43 552	46 897	48 639	50 854
Commonwealth grants	35 485	27 735	32 273	38 382	32 355
User charges, fees and fines	25 178	26 773	35 548	37 618	36 343
Other operating revenue	136 450	153 285	155 648	160 249	187 212
Total Revenue	**227 352**	**251 345**	**270 366**	**284 888**	**306 764**
Depreciation	0	0	14	34	15
Other operating expenses	226 225	250 289	313 817	215 238	221 310
Total Expenses	**226 225**	**250 289**	**313 831**	**215 272**	**221 325**
Result from operations	**1 127**	**1 056**	**(43 465)**	**69 616**	**85 439**
Transfer to Consolidated Fund	195 712	202 916	220 751	74 826	67 577
Net Result from Operations	**(194 585)**	**(201 860)**	**(264 216)**	**(5 210)**	**17 862**

Comment

User charges, fees and fines relates mainly to mineral royalties, driver licensing and vehicle registration. Commonwealth grants are received for road funding and utilised for that purpose . Other operating revenue is mainly comprised of revenue collected on behalf of external bodies. The increase in other operating revenue is primarily the result of the increase in the investment of State-owned Companies (discussed below), third party property insurance, stamp duty, motor tax and fire levy. Transfers to the Consolidated Fund are represented by user charges and fees listed above as well as the transfer of Commonwealth road funding.

Administered Assets and Liabilities

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Cash	1 214	3 049	2 532	3 750	1 819
Receivables	1 930	65	123	306	424
Other	28	0	0	0	1 763
Total Current Assets	**3 172**	**3 114**	**2 655**	**4 056**	**4 006**
Property, plant & equipment	0	0	134	59	50
Investments	0	72 316	394 166	388 160	406 061
Other	0	5	7	5	5
Total Non-Current Assets	**0**	**72 321**	**394 307**	**388 224**	**406 116**
Payables	1 227	95	998	1 383	1 380
Borrowings	498	1 270	836	729	0
Provisions	0	0	98	227	238
Other	1 945	3 024	1 421	1 941	2 052
Total Current Liabilities	**3 670**	**4 389**	**3 353**	**4 280**	**3 670**
Borrowings	339	275	0	0	0
Provisions	0	0	115	232	258
Total Non-Current Liabilities	**339**	**275**	**115**	**232**	**258**
Net Assets	**(837)**	**70 771**	**393 494**	**387 768**	**406 194**
Retained surpluses	(837)	70 771	393 494	387 768	406 194
Total Equity	**(837)**	**70 771**	**393 494**	**387 768**	**406 194**

Comment

The transfer of the Workplace Safety Board and the Forest Practices Board in 1998-99 and 1999-00 respectively account for the increase in several of the assets and liabilities. Administered cash increased in 1999-00 due to a larger balance carried forward for the Commonwealth funded Rail Infrastructure Fund and larger balances held at 30 June for funds collected on behalf of external bodies compared to the previous year. Borrowings have decreased to nil due to the payment in full of the Department's redundancy program debt.

The administered investments represent the Ministerial share (one half) of the equity in Metro Tasmania Pty Ltd, Port Corporations, Aurora Energy Pty Ltd, Transend Networks Pty Ltd and TT Line Company Pty Ltd.

Administered Cash Flows

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations				48 639	50 854
Commonwealth grants				38 382	32 355
Receipts from customers				197 395	211 787
Payments to suppliers and employees				(283 226)	(297 031)
Interest received				15	118
Cash from operations				**1 205**	**(1 917)**
Payments for P, P & Equipment				(40)	(14)
Proceeds from sale of P, P & E				53	0
Cash used in investing activities				**13**	**(14)**
Net increase in cash				**1 218**	**(1 931)**
Cash at the beginning of the period				2 532	3 750
Cash at end of the period				**3 750**	**1 819**

Comment

The Department has only been required to prepare an administered statement of cash flows for the past two years.

2.4 DEPARTMENT OF JUSTICE AND INDUSTRIAL RELATIONS

INTRODUCTION

The Department of Justice and Industrial Relations contributes to a just and safe society by providing systems and services for the promotion and maintenance of rights and responsibilities and the resolution of disputes, for the benefit of the Tasmanian community.

The Department provides administrative support for the Supreme and Magisterial Courts and includes the Offices of the Solicitor-General, the Director of Public Prosecutions, the Crown Solicitor, the Ombudsman, the Health Complaints Commissioner, the Anti-Discrimination Commissioner and the Commissioner for Review. It also includes the Registries for Births, Deaths and Marriages and Business Affairs, the Tasmanian Electoral Office, Corrective Services, the Poppy Advisory and Control Board, the Office of Consumer Affairs and Fair Trading, the Tasmanian Industrial Commission, Workers Rehabilitation and Compensation Tribunal, Mental Health Tribunal, Guardianship Board, Enterprise Commissioner and Industrial Relations Policy.

The Portfolio Minister is the Attorney General and Minister for Justice and Industrial Relations.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of the Department were received on 23 October 2001. A revised version was received on 26 November 2001 and an unqualified audit report was issued on the same day.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	53 325	45 211	48 632	50 868	53 825
Commonwealth grants	0	0	0	0	123
User charges, fees and fines	8 032	6 472	9 543	10 102	6 341
Other operating revenue	328	1 112	1 512	794	1 985
Non-operating revenue	0	(64)	(877)	172	0
Total Revenue	**61 685**	**52 731**	**58 810**	**61 936**	**62 274**
Depreciation	1 225	1 561	1 569	1 677	6 446
Other operating expenses	56 746	49 064	59 573	62 115	62 290
Total Expenses	**57 971**	**50 625**	**61 142**	**63 792**	**68 736**
Result from Ordinary Activities	**3 714**	**2 106**	**(2 332)**	**(1 856)**	**(6 462)**

Comment

The fall in Appropriations to $45.211m in 1997-98, and the fall in other operating expenses to $49.064m is substantially due to transactions related to Criminal Injuries Compensation and Retirement Program loans from Treasury being reclassified from controlled funds in 1997 to administered funds in 1998.

User charges, fees and fines fell from $10.102m in 1999-00 to $6.341m in 2000-01 mainly because of decreased funding for:

- On-going maintenance projects, $0.616m;
- The Workers Rehabilitation and Compensation Tribunal, $0.851m; and
- Other charges of $3.181m.

These movements were offset by an increase in charges for Conduct of elections of $0.865m.

The increase in other operating expenses to $59.573m in 1999-00 is due to the transfer of activities from other departments, including the Tasmanian Industrial Commission, the Enterprise Commissioner and the Industrial Relations Policy and Workers Compensation Rehabilitation and Compensation Tribunal.

The negative amount reported under non-operating revenue in 1998-99 relates to the net adjustment for the transfer of assets and liabilities from the above-mentioned public bodies during the financial year.

Depreciation and amortisation expenses have increased from $1.677m in 1999-00 to $6.446m in 2000-01. This is due to a downward reassessment of the remaining useful life of the Risdon Prison buildings from 50 years to 6 years, following a decision to demolish the existing facility by 2007.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	1 216	1 212	1 015	1 653	2 315
Receivables	1 182	445	941	1 092	1 167
Inventories	340	344	0	0	0
Other	0	0	399	201	436
Total Current Assets	**2 738**	**2 001**	**2 355**	**2 946**	**3 918**
Property, plant & equipment	78 007	82 974	81 843	80 625	74 381
Other	1 058	1 049	1 044	1 145	1 100
Total Non-Current Assets	**79 065**	**84 023**	**82 887**	**81 770**	**75 481**
Payables	1 056	1 715	1 429	2 344	2 241
Provisions	4 355	4 063	7 011	9 041	5 141
Other	480	0	0	0	0
Total Current Liabilities	**5 891**	**5 778**	**8 440**	**11 385**	**7 382**
Provisions	3 144	3 436	2 324	709	5 857
Other	960	0	0	0	0
Total Non-Current Liabilities	**4 104**	**3 436**	**2 324**	**709**	**5 857**
Net Assets	**71 808**	**76 810**	**74 478**	**72 622**	**66 160**
Retained surpluses	71 808	76 810	74 478	72 622	66 160
Total Equity	**71 808**	**76 810**	**74 478**	**72 622**	**66 160**

Comment

The decrease in the Property, plant and equipment from $80.265m in 1999-00 to $74.381m in 2000-01 is due to the increased depreciation charge in respect of the Risdon Prison buildings previously referred to.

Current provisions increased to $7.011 in 1998-99 due to an increase of $1.112m in leave entitlements classified from non-current provisions, plus transfers of employee liabilities from other public bodies following the departmental restructure.

There was a further increase of $2.030m in current provisions between 1998-99 and 1999-00 due to a change in policy whereby current long service leave entitlements were calculated from 10 years of service instead of 12 years. This policy change resulted in an offsetting decrease in non-current provisions.

Between 1999-00 and 2000-01, current provisions decreased from this higher level, with an equivalent increase in the non-current provision of $5.148m. This adjustment was due to a further change in policy, whereby the current component of long service leave entitlements was defined as the amount actually expected to be taken by an employee in any given year.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	52 751	45 785	48 632	50 868	53 826
Commonwealth grants	0	0	0	0	123
Receipts from customers	7 812	7 677	10 534	10 533	10 198
Payments to suppliers and employees	(53 915)	(48 404)	(58 985)	(60 375)	(63 328)
Borrowing costs	(14)	0	(16)	0	0
Cash from operations	**6 634**	**5 058**	**165**	**1 026**	**819**
Payments for P, P & Equipment	(5 701)	(5 073)	(364)	(449)	(157)
Proceeds from sale of P, P & E	4	11	2	61	0
Cash used in investing activities	**(5 697)**	**(5 062)**	**(362)**	**(388)**	**(157)**
Net increase in cash	**937**	**(4)**	**(197)**	**638**	**662**
Cash at the beginning of the period	279	1 216	1 212	1 015	1 653
Cash at end of the period	**1 216**	**1 212**	**1 015**	**1 653**	**2 315**

Comment

The increase in payments to suppliers and employees from $48.404m in 1997-98 to $58.985m in 1999-00 is due to the increase in activity following the transfer of activities from other departments, referred to previously.

Payments for property, plant and equipment decreased from a level of approximately $5.000m in the 1997 and 1998 years to only $0.364m in the following year. This was due to the fact that the higher payment amounts included construction costs for the Hobart Remand Centre, whereas since that time, the payments figure reflects only plant and equipment purchases.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		3 714	2 170	(1 455)	(2 028)	(6 462)
Operating margin	>1.0	1.06	1.04	0.98	0.97	0.91
Financial Management						
Current ratio	>1	0.46	0.35	0.28	0.26	0.53
Debt collection	30 days	52	21	31	37	51
Creditor turnover	30 days	13	9	21	44	27
Other information						
Staff numbers FTEs		571	565	620	687	700
Average staff costs ($'000s)		66	60	66	60	59

Comment

The negative operating margin noted in 1998-99 is due to increased expenditure following the transfer of activities from other departments as referred to previously. The decrease in operating margin from 0.97 in 1999-00 to 0.91 in 2000-01 is due to additional costs resulted from increased depreciation for the Risdon Prison building, which has also been noted in previous comments.

The Department has had a significantly low current ratio over the past five-year period, but some improvement was noted in the 2000-01 when the change in departmental policy on recording current long service leave entitlements was introduced.

The debt collection ratio is quite high for the 2000-01 year, but this is principally due to the decrease in user charges, fees and fines revenue, rather than a change in the collection of receivables.

OVERALL COMMENT

The audit of the department’s financial statements was completed with satisfactory results. Amendments to the initial version of the financial statements were agreed to by finance staff and members of my office. The Department has reviewed its procedures to ensure that such amendments are detected prior to statement finalisation in future years.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Statements of Financial Performance and Financial Position.

Administered Revenues and Expenses

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	0	3 704	3 745	2 943	3 676
Commonwealth grants	1 062	1 508	1 883	1 346	0
User charges, fees and fines	13 064	11 589	11 593	14 183	15 896
Other operating revenue	8 819	7 986	9 500	6 461	4 731
Total Revenue	**22 945**	**24 787**	**26 721**	**24 933**	**24 303**
Other operating expenses	2 881	7 036	9 864	6 185	6 081
Total Expenses	**2 881**	**7 036**	**9 864**	**6 185**	**6 081**
Result from operations	**20 064**	**17 751**	**16 857**	**18 748**	**18 222**
Transfer to Consolidated Fund	18 611	17 739	18 076	17 195	17 059
Net Result from Operations	**1 453**	**12**	**(1 219)**	**1 553**	**1 163**

Comment

The net results earned on the Administered statements are basically a reflection of the timing of funds being received with respect to the fines collection system (FCS), which are then forwarded onto Treasury, as recorded in the Transfer to Consolidated Fund. Periods where a surplus is obtained identifies that there are revenues earned which have not been collected, and a deficit represents a collection of prior year revenues in the following year. These movements are reflected in the administered receivables noted in the following table.

Administered Assets and Liabilities

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	482	419	424	670	528
Receivables	6 981	6 776	5 652	5 985	7 348
Total Current Assets	**7 463**	**7 195**	**6 076**	**6 655**	**7 876**
Payables	314	318	445	506	673
Other	27	571	571	109	0
Total Current Liabilities	**341**	**889**	**1 016**	**615**	**673**
Other	0	612	585	12	12
Total Non-Current Liabilities	**0**	**612**	**585**	**12**	**12**
Net Assets	**7 122**	**5 694**	**4 475**	**6 028**	**7 191**
Retained surpluses	7 122	5 694	4 475	6 028	7 191
Total Equity	**7 122**	**5 694**	**4 475**	**6 028**	**7 191**

Comment

Consistent with the comments noted above regarding the FCS, the fluctuations in receivables are in line with the amounts noted for transfers to the consolidated fund. It should also be noted that the gross receivable totals are significantly higher than the net receivable shown above. This is due to a significant level of doubtful debts that are provided for. For example, in the 2000-01 year, gross receivables amounted to $28.407m, with a provision for doubtful debts of $21.059m. The level of doubtful debts has been significant for numerous years. However, for the year ended 2000-01, the ratio of doubtful debts to total receivables has decreased moderately, as the Fines Collection Unit has instigated new procedures to follow up these outstanding debts.

The Department's view is that until there is investment in a major revamp of all business processes involved in fines collection, the outstanding debt level is unlikely to be significantly reduced. The Department is apparently seeking funding to develop a Business Case for such a system redevelopment in the 2002-2003 budget.

The item under other current liabilities of $0.571m in both 1997-98 and 1998-99, and other non-current liabilities $0.612m in 1997-98 and $0.585m in 1998-99 reflect amounts owing to the Government for the employee rationalisation program.

Administered Cash Flows

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations					3 676
Commonwealth grants					
Receipts from customers					17 224
Payments to suppliers and employees					(21 042)
Cash from operations					**(142)**
Net increase in cash					**(142)**
Cash at the beginning of the period					670
Cash at end of the period					**528**

Comment

This is the first year that the Department was required to complete an administered cash flow statement; prior year comparatives are not available.

2.5 DEPARTMENT OF POLICE AND PUBLIC SAFETY

INTRODUCTION

The Department of Police and Public Safety consists of Tasmania Police, which is divided into four geographic districts assisted by specialised police support units and the State Emergency Service.

The Department's objectives are to achieve:

- An effective community service;
- A safe and secure community;
- Prevention of crime in the community; and
- Law enforcement services aimed at detecting, investigating and resolving offences.

The Portfolio Minister is the Minister for Police and Public Safety.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements signed by the Commissioner for Police, as Secretary of the Department of Police and Public Safety, were received on 30 October 2001. An unqualified audit report was issued on 1 November 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations	88 541	93 586	97 007	103 973	107 194
Commonwealth grants	3 830	0	0	0	856
User charges, fees and fines	0	0	0	0	1 577
Other operating revenue	2 155	4 697	4 044	4 155	3 046
Non-operating revenue					219
Total Revenue	**94 526**	**98 283**	**101 051**	**108 128**	**112 892**
Depreciation	2 476	2 589	2 494	2 344	1 788
Other operating expenses	93 023	101 010	105 828	105 979	111 238
Non-operating expenses	9	87	184	0	668
Total Expenses	**95 508**	**103 686**	**108 506**	**108 323**	**113 694**
Result from Ordinary Activities	**(982)**	**(5 403)**	**(7 455)**	**(195)**	**(802)**

Comment

Commonwealth Grants of $3.830m received in 1996-97 was a one-off payment for the administration of the Firearms Register.

Prior to 2000-01, user charges, fees and fines were not separately identified.

Depreciation was lower in 2000-01 due to a reduction in the value of buildings. Other operating expenses increased mainly due to the Department taking control of Forensic Science Services in 2000-01. Whilst it is not unusual for a department to have a negative result from ordinary activities, the large deficits in 1997-98 and 1998-99 were principally due to increases in employee costs, particularly the 1998 Police Force Enterprise Agreements.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	747	157	221	718	2 334
Receivables	39	4	34	110	919
Inventories	590	574	476	383	387
Other	602	143	137	1 023	159
Total Current Assets	**1 978**	**878**	**868**	**2 234**	**3 799**
Property, plant & equipment	67 143	64 064	59 532	57 713	57 126
Total Non-Current Assets	**67 143**	**64 064**	**59 532**	**57 713**	**57 126**
Payables	1 813	2 306	2 697	1 920	1 452
Provisions	18 897	19 711	23 974	25 422	14 933
Total Current Liabilities	**20 710**	**22 017**	**26 671**	**27 342**	**16 385**
Provisions	2 251	2 815	3 405	3 337	14 327
Other	268	134	46	0	0
Total Non-Current Liabilities	**2 519**	**2 949**	**3 451**	**3 337**	**14 327**
Net Assets	**45 892**	**39 976**	**30 278**	**29 268**	**30 213**
Retained surpluses	45 892	39 976	30 278	29 268	30 213
Total Equity	**45 892**	**39 976**	**30 278**	**29 268**	**30 213**

Comment

Cash balances vary from year to year depending on amounts held in the Operating Trust Account.

Receivables has increased significantly in 2000-01 due to the GST component.

Property, plant and equipment decreased in 1998-99 principally due to the annual depreciation charge of $2.494m and the disposal of rental properties of $2.455m.

The basis of classification of provisions between current and non-current altered in 2000-01. The current component now includes only those amounts for long service leave that the Department expects to expense during 2001-02.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	88 541	93 586	97 007	103 973	107 194
Commonwealth grants	3 830	0	0	0	864
Receipts from customers	2 169	4 728	4 014	4 181	6 570
Payments to suppliers and employees	(93 333)	(98 544)	(100 567)	(106 149)	(113 110)
Cash from operations	**1 207**	**(230)**	**454**	**2 005**	**1 518**
Payments for P, P & Equipment	(981)	(452)	(450)	(1 583)	(121)
Proceeds from sale of P, P & E	25	92	60	75	219
Cash used in investing activities	**(956)**	**(360)**	**(390)**	**(1 508)**	**98**
Net increase in cash	**251**	**(590)**	**64**	**497**	**1 616**
Cash at the beginning of the period	496	747	157	221	718
Cash at end of the period	**747**	**157**	**221**	**718**	**2 334**

Comment

Commonwealth Grants of $3.830m received in 1996-97 were a one-off payment for the administration of the Firearms Register.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(982)	(5 403)	(7 455)	(195)	(802)
Operating margin	>1.0	0.99	0.95	0.93	1.00	1.00
Financial Management						
Current ratio	>1	0.10	0.04	0.03	0.08	0.23
Debt collection	30 days	7	0	3	10	31
Creditor turnover	30 days	35	40	47	31	24
Other information						
Staff numbers FTEs		1 467	1 453	1 409	1 421	1 474
Average staff costs ($'000s)		51	55	60	59	57

As with most departments, the current ratio is less than one due to current liabilities consisting of creditors and employee entitlements being greater than current assets, primarily cash and stores. The department relies on annual appropriations from Parliament to fund current liabilities in the following year. The increase in the debt collection turnover is primarily attributable to one debtor. The Department is currently working with this debtor to remedy this situation.

OVERALL COMMENT

Several issues were raised with management following the completion of the 2000-01 Audit. These included problems with the monthly bank reconciliation process and the need for improved procedures in respect to the recording of assets.

Management acknowledges these problems and are aiming to rectify them in the 2001-02 financial year.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department’s Statement of Financial Performance or Statement of Financial Position.

Administered Revenues and Expenses

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations	185	200	200	341	0
Commonwealth grants	17 000	2 800	2 311	0	0
User charges, fees and fines	1 135	1 001	907	779	492
Other operating revenue	965	868	1 699	987	156
Total Revenue	**19 285**	**4 869**	**5 117**	**2 107**	**648**
Depreciation	198	240	173	189	0
Other operating expenses	16 318	4 957	2 222	2 411	766
Total Expenses	**16 516**	**5 197**	**2 395**	**2 600**	**766**
Result from operations	**2 769**	**(328)**	**2 722**	**(493)**	**(118)**
Transfer to Consolidated Fund	1 135	1 001	0	722	443
Net Result from Operations	**1 634**	**(1 329)**	**2 722**	**(1 215)**	**(561)**

Comment

The Commonwealth grants received from 1996 to 1999 relate to the Firearms buy-back scheme.

Revenues and expenses have dramatically decreased during 2000-01, due principally to the transfer of the Remus Consortium to the Department of Premier and Cabinet.

Administered Assets and Liabilities

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	1 759	589	2 545	1 163	559
Receivables	79	0	0	0	0
Other	99	80	0	0	0
Total Current Assets	**1 937**	**669**	**2 545**	**1 163**	**559**
Property, plant & equipment	512	311	345	187	0
Total Non-Current Assets	**512**	**311**	**345**	**187**	**0**
Payables	37	11	8	4	0
Borrowings	100	100	240	125	0
Provisions	23	41	47	33	0
Other	0	0	66	21	0
Total Current Liabilities	**160**	**152**	**361**	**183**	**0**
Borrowings	100	0	110	0	0
Provisions	68	50	24	47	0
Total Non-Current Liabilities	**168**	**50**	**134**	**47**	**0**
Net Assets	**2 121**	**778**	**2 395**	**1 120**	**559**
Retained surpluses	2 121	778	2 395	1 120	559
Total Equity	**2 121**	**778**	**2 395**	**1 120**	**559**

Comment

Assets and Liabilities have dramatically decreased during 2000-01, due principally to the transfer of the Remus Consortium to the Department of Premier and Cabinet.

Administered Cash Flows

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations					0
Commonwealth grants					0
Receipts from customers					648
Payments to suppliers and employees					(1 127)
Cash from operations					**(479)**
Repayment of borrowings					(125)
Cash from financing activities					**(125)**
Net increase in cash					**(604)**
Cash at the beginning of the period					1 163
Cash at end of the period					**559**

Comment

Departments have only been required to prepare administered cash flow statements from the year ended 30 June 2001. Comparative figures for the prior year were not provided.

2.6 DEPARTMENT OF PREMIER AND CABINET

INTRODUCTION

The Department provides a range of services to support the Premier and the Cabinet.

The Department comprises the Executive Division, Policy Division, Office of Parliamentary Counsel, E-Services Group including Telecommunications Management Division, Office of the State Service Commissioner, Multicultural Tasmania, Women Tasmania, Office of Aboriginal Affairs, the Local Government Division and the Corporate Services Division.

The Portfolio Minister is the Premier.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of the Department of Premier and Cabinet were received on 4 September 2001 and an unqualified audit report was issued on 6 November 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	26 734	28 224	26 630	26 491	26 960
Commonwealth grants	0	0	0	1 645	2 444
User charges, fees and fines	975	1 488	5 284	4 484	4 784
Other operating revenue	833	2 152	3 105	840	1 339
Non-operating revenue	10	21	922	25	2
Total Revenue	**28 552**	**31 885**	**35 941**	**33 485**	**35 529**
Depreciation	152	181	146	152	124
Other operating expenses	29 078	31 372	35 023	32 786	34 517
Non-operating expenses	0	0	26	536	5
Total Expenses	**29 230**	**31 553**	**35 195**	**33 474**	**34 646**
Result from Ordinary Activities	**(678)**	**332**	**746**	**11**	**883**

Comment

Prior to 1999-00, Commonwealth grants were not separately disclosed.

User charges, fees and fines increased in 1998-99 due to receipts from other Agencies for Service Tasmania contributions and the Year 2000 Project.

Other operating expenses increased in 1998-99 due principally to transfers of Service Tasmania Lead Agency funds.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	1 486	2 214	1 951	2 476	3 457
Receivables	156	152	360	285	825
Other	252	272	195	335	248
Total Current Assets	**1 894**	**2 638**	**2 506**	**3 096**	**4 530**
Property, plant & equipment	1 133	1 085	905	341	348
Total Non-Current Assets	**1 133**	**1 085**	**905**	**341**	**348**
Payables	469	231	295	182	323
Provisions	2 417	2 617	2 083	2 269	2 419
Total Current Liabilities	**2 886**	**2 848**	**2 378**	**2 451**	**2 742**
Provisions	2 412	2 815	2 226	2 168	2 435
Total Non-Current Liabilities	**2 412**	**2 815**	**2 226**	**2 168**	**2 435**
Net Assets	**(2 271)**	**(1 940)**	**(1 193)**	**(1 182)**	**(299)**
Retained surpluses	(2 271)	(1 940)	(1 193)	(1 182)	(299)
Total Equity	**(2 271)**	**(1 940)**	**(1 193)**	**(1 182)**	**(299)**

Comment

Property, plant and equipment reduced in 1999-00 due to the transfer of the Ministerial Vehicle Fleet to the Department of Treasury and Finance.

CASH POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations	26 734	28 224	26 630	26 491	26 960
Commonwealth grants	0	0	0	1 645	2 444
Receipts from customers	2 012	3 669	8 196	5 397	7 421
Payments to suppliers and employees	(28 491)	(31 049)	(35 073)	(32 907)	(35 710)
Cash from operations	**255**	**844**	**(247)**	**626**	**1 115**
Payments for P, P & Equipment	(865)	(804)	(519)	(126)	(136)
Proceeds from sale of P, P & E	649	690	503	25	2
Cash used in investing activities	**(216)**	**(114)**	**(16)**	**(101)**	**(134)**
Net increase in cash	**39**	**730**	**(263)**	**525**	**981**
Cash at the beginning of the period	1 445	1 484	2 214	1 951	2 476
Cash at end of the period	**1 484**	**2 214**	**1 951**	**2 476**	**3 457**

Comment

Prior to 1999-00, Commonwealth grants were not separately disclosed.

Receipts from customers increased in 1998-99 due to revenues from other Agencies for Service Tasmania contributions and the Year 2000 Project.

Payments to suppliers increased in 1998-99 due principally to transfers of Service Tasmania Lead Agency funds.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(688)	311	(150)	522	886
Operating margin	>1.0	0.98	1.01	1.00	1.02	1.03
Financial Management						
Current ratio	>1	0.66	0.93	1.05	1.26	1.65
Debt collection	30 days	31	15	16	15	35
Creditor turnover	30 days	16	7	11	7	13
Other information						
Staff numbers FTEs		340	358	327	337	360
Average staff costs ($'000s)		60	58	60	59	60

Comment

Nil.

OVERALL COMMENT

Several issues were raised with management following the completion of the 2000-01 Audit. These included the need for regular completion of bank and suspense account reconciliations and improved procedures for the follow-up of outstanding debtors.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Statements of Performance or Financial Position.

Administered Revenues and Expenses

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	1 616	1 578	1 732	1 774	1 836
Commonwealth grants	0	34 068	42 316	27 174	1 810
User charges, fees and fines	13 659	14 106	14 166	14 465	15 587
Other revenue	795	35	33	295	558
Total Revenue	**16 070**	**49 787**	**58 247**	**43 708**	**19 791**
Depreciation	0	0	0	158	298
Transfers to third parties	0	26 155	37 876	24 525	2 060
Grants and subsidies	1 090	1 053	1 152	1 575	1 461
Other expenses	17 597	14 185	14 350	14 739	16 140
Total Expenses	**18 687**	**41 393**	**53 378**	**40 997**	**19 959**
Result from operations	**(2 617)**	**8 394**	**4 869**	**2 711**	**(168)**
Transfer to Consolidated Fund	181	27	30	44	9
Net Result from Operations	**(2 798)**	**8 367**	**4 839**	**2 667**	**(177)**

Comment

Commonwealth grants increased in 1997-98 due to funds being received under the Regional Forest Agreement and the Natural Heritage Trust. These funds reduced significantly in 2000-01.

Transfers to third parties principally involve the disbursement of Regional Forest Agreement funds to government agencies/authorities.

Transfers to the consolidated fund consist of fees and charges collected by the Department on behalf of the Government.

Administered Assets and Liabilities

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	(526)	8 492	13 082	15 399	14 994
Receivables	2 113	2 068	2 340	2 453	2 526
Other	229	257	251	310	377
Total Current Assets	**1 816**	**10 817**	**15 673**	**18 162**	**17 897**
Property, plant & equipment	846	220	267	371	674
Total Non-Current Assets	**846**	**220**	**267**	**371**	**674**
Payables	751	760	688	615	587
Provisions	464	431	534	704	897
Other	93	143	123	127	129
Total Current Liabilities	**1 308**	**1 334**	**1 345**	**1 446**	**1 613**
Provisions	129	113	116	40	88
Total Non-Current Liabilities	**129**	**113**	**116**	**40**	**88**
Net Assets	**1 225**	**9 590**	**14 479**	**17 047**	**16 870**
Retained surpluses	1 225	9 590	14 479	17 047	16 870
Total Equity	**1 225**	**9 590**	**14 479**	**17 047**	**16 870**

Comment

The increase in cash in 1998-99 is due mainly to funds received from the Commonwealth in respect to the Regional Forest Agreement.

Property, plant and equipment increased in 2000-01 due principally to the acquisition of the Remus Consortium assets of $0.253 million.

Administered Cash Flows

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations				1 774	1 836
Commonwealth grants				27 263	1 811
Receipts from customers				14 611	17 505
Payments for employee entitlements				(2 970)	(3 220)
Other				(38 088)	(17 927)
Interest received				0	4
Cash from operations				**2 590**	**9**
Payments for P, P & Equipment				(274)	(414)
Proceeds from sale of P, P & E				1	0
Cash used in investing activities				**(273)**	**(414)**
Net increase in cash				**2 317**	**(405)**
Cash at the beginning of the period				13 082	15 399
Cash at end of the period				**15 399**	**14 994**

Comment

The Department has only been required to prepare administered cash flow statements from 1999-00.

The reduction of Commonwealth grants and other expenditures in 2000-01 is due to a pause in funding under the Regional Forest Agreement.

2.7 DEPARTMENT OF PRIMARY INDUSTRIES, WATER AND ENVIRONMENT

INTRODUCTION

The Department's primary objective is to advance Tasmania's prosperity through sustainable development of our natural resources and conservation of our natural and cultural heritage.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements of the Department were received on 31 August 2001. Audit of the statements commenced in early October. Revised statements and supporting workpapers were received on 7 November 2001. An unqualified audit report was issued on 20 November 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Appropriations	80 076	79 403	78 497	77 365	81 138
Commonwealth grants	7 748	5 933	4 990	32 536	31 996
User charges, fees and fines	12 228	12 455	14 829	11 418	12 466
Other operating revenue	21 861	12 440	15 601	15 235	15 340
Non-operating revenue	281	4 996	7 601	2 051	2 243
Total Revenue	**122 194**	**115 227**	**121 518**	**138 605**	**143 183**
Depreciation	7 003	7 025	7 151	7 639	7 002
Other operating expenses	109 429	108 642	120 185	124 949	132 767
Non-operating expenses	0	0	0	0	14 188
Total Expenses	**116 432**	**115 667**	**127 336**	**132 588**	**153 957**
Result from Ordinary Activities	**5 762**	**(440)**	**(5 818)**	**6 017**	**(10 774)**

Comment

Commonwealth grants increased significantly from 1999-00 due to the receipt of Natural Heritage Trust funds that were previously administered by the Department of Premier and Cabinet.

The increase in User charges, fees and fines in 1998-99 was due to an associated recovery of operating costs.

The higher depreciation in 1999-00 is attributable to the additional property, plant and equipment brought to account in that year.

Other operating expenses, consisting of employee and other operating costs were higher in 1998-99 and again in 2000-01. Fluctuations are due to variations in other sources of funding of a large number of projects.

Non-operating expenses in 2000-01 was due to a downwards revaluation of land.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	20 559	26 826	25 994	36 964	41 706
Receivables	3 745	3 380	2 974	1 372	1 321
Inventories	2 186	1 978	2 126	2 162	2 016
Other	0	222	0	1 040	1 935
Total Current Assets	**26 490**	**32 406**	**31 094**	**41 538**	**46 978**
Property, plant & equipment	280 484	274 306	344 347	428 605	462 540
Total Non-Current Assets	**280 484**	**274 306**	**344 347**	**428 605**	**462 540**
Payables	1 415	1 982	1 471	1 888	1 596
Provisions	14 390	10 661	11 750	17 307	8 070
Other	34	141	166	69	176
Total Current Liabilities	**15 839**	**12 784**	**13 387**	**19 264**	**9 842**
Provisions	1 948	5 661	5 772	1 699	11 120
Other	0	0	0	3 004	2 022
Total Non-Current Liabilities	**1 948**	**5 661**	**5 772**	**4 703**	**13 142**
Net Assets	**289 187**	**288 267**	**356 282**	**446 176**	**486 534**
Reserves	0	0	2 638	2 638	53 771
Retained surpluses	289 187	288 267	353 644	443 538	432 763
Total Equity	**289 187**	**288 267**	**356 282**	**446 176**	**486 534**

Comment

The increase in Cash for 1999-00 and 2000-01 was due to Natural Heritage Trust funding.

There has been a general decline in the amount of Receivables over the reported years due to improved collection of outstanding debts.

Other current assets included accrued income in both 1999-00 and 2000-01 and prepaid rent in 2000-01.

Property, plant and equipment from 1998-99 included land in National Parks and Conservation Areas that had previously not been valued and from 1999-00 included Crown land and reserves that had previously not been valued. In 2000-01 the increase was due to revaluations.

The Provisions are comprised solely of employee entitlements. The total of current and non-current Provisions has remained consistent with employee numbers over the reported years. Variations within current and non-current segments were a result of changes in the method of calculation of the current portion of employee entitlements.

Other non-current liabilities from 1999-00 included a finance lease for the Lands Building fit out, which was previously reported by the Department of Treasury and Finance.

The Reserves from 1998-99 included an asset revaluation reserve for the research vessel *Challenger*. The increase in 2000-01 was a result of revaluations of property, plant and equipment.

The Retained surpluses movements are attributable to the addition of net results from ordinary activities for each year, but also in 1998-99 and 1999-00 because of the addition of assets.

CASH POSITION

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	81 972	79 403	78 497	77 365	81 138
Commonwealth grants	7 748	5 933	4 990	32 536	31 996
Receipts from customers	29 482	30 412	36 440	30 270	30 889
Payments to suppliers and employees	(106 976)	(108 351)	(119 576)	(124 233)	(135 642)
Cash from operations	**12 226**	**7 397**	**351**	**15 938**	**8 381**
Payments for P, P & Equipment	(1 586)	(1 138)	(1 698)	(4 970)	(4 254)
Proceeds from sale of P, P & E	232	8	779	2	615
Cash used in investing activities	**(1 354)**	**(1 130)**	**(919)**	**(4 968)**	**(3 639)**
Net increase in cash	**10 872**	**6 267**	**(568)**	**10 970**	**4 742**
Cash at the beginning of the period	9 687	20 559	26 562	25 994	36 964
Cash at end of the period	**20 559**	**26 826**	**25 994**	**36 964**	**41 706**

Comment

Reasons for variations in Cash flows amounts and Cash balances reflect the comments made for variations in the Statement of Financial Performance and movements in the Cash amount in the Statement of Financial Position.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(87 568)	(96 202)	(104 584)	(102 489)	(94 480)
Operating margin	>1.0	0.20	0.11	0.13	0.13	0.14
Financial Management						
Current ratio	>1	1.67	2.53	2.32	2.16	4.77
Debt collection	30 days	112	99	73	40	42
Creditor turnover	30 days	12	16	11	16	12
Other information						
Staff numbers FTEs		1 205	1 251	1 364	1 374	1 404
Average staff costs ($'000s)		52	49	48	50	48

Comment

The current ratio increased significantly in 2000-01 due to a change in the method of calculation of the current portion of employee entitlements.

As noted above, there has been a general reduction over the years in the Receivables. This reflects improved debt collection.

Staff numbers for 1996-97 and 1997-98 relate to the former Department of Primary Industry and Fisheries and Department of Environment and Land Management before the Department of Primary Industries, Water and Environment was formed. Therefore the basis of calculation of the numbers may not be consistent with those in the following years.

OVERALL COMMENT

The Department controls a large number and variety of assets. Whilst the financial statements disclose over $460 million in non-current assets, it is likely that the total will be in excess of this amount, due to remaining land and infrastructure yet to be valued and brought to account. These assets include Crown land and National Parks.

The Department is developing a number of Strategic Asset Management Plans to address the management of assets. This process includes the identification and valuation of assets over three years, with a completion target date of 30 June 2002.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Statements Financial Performance and Financial Position.

Administered Revenues and Expenses

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	9 717	12 197	11 993	11 462	12 449
Commonwealth grants	6 260	5 350	11 548	10 861	5 690
User charges, fees and fines	23 968	25 031	29 630	33 175	45 865
Service Tasmania collections	0	18 034	132 475	168 799	187 218
Other revenue	18 786	43 527	43 661	15 332	11 200
Total Revenue	**58 731**	**104 139**	**229 307**	**239 629**	**262 422**
Grants and subsidies	4 544	13 894	16 917	17 676	16 665
Service Tasmania transfers	0	18 034	132 475	168 799	187 218
Transfers to other agencies	0	0	16 538	0	0
Other expenses	7 050	8 470	7 621	5 642	9 952
Total Expenses	**11 594**	**40 398**	**173 551**	**192 117**	**213 835**
Result from operations	**47 137**	**63 741**	**55 756**	**47 512**	**48 587**
Transfer to Consolidated Fund	42 589	45 472	51 578	41 265	50 943
Net Result from Operations	**4 548**	**18 269**	**4 178**	**6 247**	**(2 356)**

Comment

Commonwealth grants were higher in 1998-99 and 1999-00 due to receipts from the Natural Heritage Trust.

User charges, fees and fines increased during 1999-00 and 2000-01 because of higher abalone royalties and marine farm licences.

The Department is the lead agency for Service Tasmania. Collections have been increasing since shops were first set up in 1997-98, mainly due to the number of shop-fronts and increasing products. All revenues are transferred to client agencies.

Other revenue was higher in 1997-98 and 1998-99 as a result of the collocation lease of the Royal Hobart Hospital and greater activity in the asset sales program

Transfers to other agencies for 1998-99, $16.538 million, was a transfer to the Department of Health and Human Services of proceeds from the sale of the Queen Alexandria Hospital.

Administered Assets and Liabilities

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	2 976	4 909	8 593	15 443	11 593
Receivables	931	1 059	2 140	2 051	3 491
Investments	1 275	625	625	625	625
Other	0	12 000	253	253	253
Total Current Assets	**5 182**	**18 593**	**11 611**	**18 372**	**15 962**
Other	12 573	12 573	373	0	0
Total Non-Current Assets	**12 573**	**12 573**	**373**	**0**	**0**
Other	197	89	63	245	191
Total Current Liabilities	**197**	**89**	**63**	**245**	**191**
Net Assets	**17 558**	**31 077**	**11 921**	**18 127**	**15 771**
Retained surpluses	17 558	31 077	11 921	18 127	15 771
Total Equity	**17 558**	**31 077**	**11 921**	**18 127**	**15 771**

Comment

Administered Cash has been increasing because of funds being held in the Crown Lands Administration Fund.

Receivables have been increasing due to debts to the Crown Lands Administration Fund.

Investments are shareholdings by the Minister on behalf of the State. Half of the original shareholdings were sold during 1997-98. The total proceeds from the disposal, four instalments of $373 750, are included in Other current and non-current assets.

Other non-current assets in 1996-97 and 1997-98 were associated with the collocation lease for the Royal Hobart Hospital. A change in accounting policy in 1998-99 resulted in the fees being reported as and when they are received rather than as a receivable.

Other current liabilities are prepayments of fishing licences. The amount normally fluctuates from year to year.

Administered Cash Flows

	1999-00 $'000s	2000-01 $'000s
Appropriations	11 462	12 449
Commonwealth grants	10 861	5 690
Receipts from customers	28 390	39 388
Other cash receipts	189 519	202 884
Grants and subsidies	(17 676)	(16 665)
Payments to suppliers and employees	(5 642)	(9 435)
Transfers to Consolidated Fund	(41 265)	(50 943)
Transfers to other agencies	(168 799)	(187 218)
Cash from operations	**6 850**	**(3 850)**
Net increase in cash	**6 850**	**(3 850)**
Cash at the beginning of the period	8 593	15 443
Cash at end of the period	**15 443**	**11 593**

Comment

Schedules of Administered Cash Flows were not required to be prepared by departments for the years 1996-99. Reasons for variations in Cash flows amounts and Cash balances reflect the comments made for variations in the Schedule of Revenues and Expenses and movements in the Cash amount in the Schedule of Assets and Liabilities.

2.8 DEPARTMENT OF STATE DEVELOPMENT

INTRODUCTION

The Department of State Development was formed in September 1998 under *Administrative Arrangements Order (No 2) 1998*.

The Department's areas of responsibility during 2000-01 included:

- Investment, Trade and Development;
- State Industries;
- Centre for Research, Industry and Strategic Planning;
- Tourism Tasmania; and
- Culture, Heritage and Recreation Industry Development.

The Portfolio Minister is the Minister for State Development.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of the Department were received on 9 November 2001. An unqualified audit report was issued on 9 November 2001.

FINANCIAL RESULTS

Due to the formation of the new Department in 1998, financial information has only been provided for three years.

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations			70 184	78 803	75 973
Commonwealth grants			0	8 903	11 053
User charges, fees and fines			0	7 946	6 320
Other operating revenue			15 799	9 305	11 251
Non-operating revenue			15 332	2 552	7 641
Total Revenue			**101 315**	**107 509**	**112 238**
Borrowing costs			8 491	7 489	6 957
Depreciation			1 457	1 270	1 017
Other operating expenses			66 721	87 935	90 500
Non-operating expenses			5 062	7 004	15 506
Total Expenses			**81 731**	**103 698**	**113 980**
Result from Ordinary Activities			**19 584**	**3 811**	**(1 742)**

Comment

Government appropriations increased in 1999-00, principally for increases in assistance to industries.

User charges were not separately disclosed in 1998-99 but were included in other operating revenue.

Commonwealth grants received in 1999-00 and 2000-01 were principally due to funds associated with the Abt railway project.

Non-operating revenue in 1998-99 includes $13.700 million of revenues arising from a restructuring of the Department.

Other operating expenses increased in 1999-00 and 2000-01 due to the disbursement of Abt railway funds and an increase in assistance to industries.

Non-operating expenses increased in 2000-01 due principally to the disposal of assets that were exchanged for increased equity in a local company.

FINANCIAL POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Cash			16 378	14 104	21 388
Receivables			1 531	1 773	1 180
Other			16 947	11 640	14 236
Total Current Assets			**34 856**	**27 517**	**36 804**
Property, plant & equipment			53 350	49 108	46 839
Investments			4 051	6 379	10 591
Other			43 198	35 420	20 866
Total Non-Current Assets			**100 599**	**90 907**	**78 296**
Payables			5 495	2 920	3 056
Borrowings			42 891	45 187	51 167
Provisions			3 129	3 185	2 542
Other			547	1 020	1 105
Total Current Liabilities			**52 062**	**52 312**	**57 870**
Borrowings			60 340	40 831	30 486
Provisions			1 762	1 930	2 522
Other			1 129	1 081	1 108
Total Non-Current Liabilities			**63 231**	**43 842**	**34 116**
Net Assets			**20 162**	**22 270**	**23 114**
Reserves			2 084	380	2 967
Retained surpluses			18 078	21 890	20 147
Total Equity			**20 162**	**22 270**	**23 114**

Comment

Cash reserves have increased in 2000-01 due to large repayments of loan advances and other program funds held for disbursement during 2001-02.

Other current and non-current assets predominantly consist of Loan advances. These have decreased over the years due principally to a reduction in amounts outstanding under the Rural Adjustment Scheme. This has also resulted in a reduction in borrowings over the same period.

Property, plant and equipment decreased from $53.350 million in 1998-99 to $49.108 million in 1999-00 due mainly to a downwards revaluation of development properties, which in turn decreased the Asset revaluation reserve. Property, plant and equipment further decreased in 2000-01 due to the disposal of some development properties.

Investments have increased over the years as the Government has taken equity in a number of emerging local industries.

Borrowings have continued to decrease over the years as funds are repaid.

A revaluation of certain assets in 2000-01 resulted in an increase in the Asset Revaluation reserve.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations			70 184	77 803	75 973
Commonwealth grants			578	8 409	11 115
Receipts from customers			47 644	48 234	49 749
Grants and transfer payments			(18 237)	(32 925)	(37 659)
Payments to suppliers and employees			(93 167)	(93 565)	(91 188)
Interest received			4 853	5 134	5 565
Borrowing costs			(9 430)	(7 360)	(7 972)
Cash from operations			**2 425**	**5 730**	**5 583**
Proceeds from investments			18 294	14 546	15 999
Payments for investments			(16 429)	(5 428)	(8 169)
Payments for P, P & Equipment			(330)	(172)	(2 351)
Proceeds from sale of P, P & E			11 422	1 547	0
Cash used in investing activities			**12 957**	**10 493**	**5 479**
Proceeds from borrowings			6 200	0	0
Repayment of borrowings			(17 445)	(18 497)	(3 778)
Cash from financing activities			**(11 245)**	**(18 497)**	**(3 778)**
Net increase in cash			**4 137**	**(2 274)**	**7 284**
Cash at the beginning of the period			11 241	16 378	14 104
Cash at end of the period			**15 378**	**14 104**	**21 388**

Comment

Government appropriations increased in 1999-00, principally for increases in assistance to industries.

The increase in Commonwealth grants in 1999-00 reflects funding for the Abt railway project.

Borrowing costs continue to decrease due to reductions in principal outstanding.

Proceeds from and payments for investments consist mainly of loans advanced to various industry groups and the redemption of those loans. These fluctuate from year to year.

Proceeds from the sale of Property, plant and equipment in 1998-99 included the sale of travel centres in Adelaide, Melbourne and Sydney.

The reduction in proceeds from borrowings reflects the decrease in the Department's loan portfolio.

Grants and transfer payments increased in 1999-00 and 2000-01 due to the disbursement of Abt railway funds and an increase in assistance to industries.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)				9 314	8 263	6 123
Operating margin	>1.0			1.12	1.09	1.06
Financial Management						
Current ratio	>1			0.67	0.53	0.64
Debt collection	30 days			17	38	25
Creditor turnover	30 days			44	38	25
Other information						
Staff numbers FTEs				416	431	463
Average staff costs ($'000s)				55	57	55

Comment

As with most departments, the current ratio is less than one due to current liabilities being greater than current assets.

OVERALL COMMENT

The 2000-01 Audit was completed with generally satisfactory results.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Statements of Financial Performance or Financial Position.

Administered Revenues and Expenses

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations			7 505	4 708	4 378
Commonwealth grants			0	20 000	0
Other operating revenue			0	0	1 172
Total Revenue			**7 505**	**24 708**	**5 550**
Grants and subsidies			2 314	1 397	2 409
Other operating expenses			6 152	3 766	3 313
Total Expenses			**8 466**	**5 163**	**5 722**
Result from operations			**(961)**	**19 545**	**(172)**
			0	0	0
Net Result from Operations			**(961)**	**19 545**	**(172)**

Comment

Commonwealth Grants of $20 million in 1999-00 represent funds received for the Intelligent Island Program.

Administered Assets and Liabilities

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash			455	0	156
Total Current Assets			**455**	**0**	**156**
Investments			0	20 000	19 672
Total Non-Current Assets			**0**	**20 000**	**19 672**
Net Assets			**455**	**20 000**	**19 828**
Retained surpluses			455	20 000	19 828
Total Equity			**455**	**20 000**	**19 828**

Comment

Investments of $20 million in 1999-00 represent funds received for the Intelligent Island Program.

Administered Cash Flows

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations				4 708	4 378
Commonwealth grants				20 000	0
Receipts from customers				0	549
Payments to suppliers and employees				(3 766)	(4 625)
Grants and transfer payments				(1 397)	(1 646)
Interest received				0	743
Cash from operations				**19 545**	**(601)**
Proceeds from investments				0	757
Payments for investments				(20 000)	0
Cash used in investing activities				**(20 000)**	**757**
Net increase in cash				**(455)**	**156**
Cash at the beginning of the period				455	0
Cash at end of the period				**0**	**156**

Comment

The Department has only been required to prepare administered cash flow statements for the past two years.

Commonwealth Grants of $20 million in 1999-00 represent funds received for the Intelligent Island Program.

2.9 DEPARTMENT OF TREASURY AND FINANCE

INTRODUCTION

The Department of Treasury and Finance carries out functions associated with State economic and financial management, including the collection of major forms of State taxation and the administration of gaming. The Department is also responsible for Government building services.

Revenues out of the Consolidated Fund used or administered by the Department during the year were provided under two Divisions (Division 2: Finance-General; and Division 15: Department of Treasury and Finance) of the *Consolidated Fund Appropriation Act* 2000.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements of the Department of Treasury and Finance were received from the Secretary of the Department on 31 August 2001 and an unqualified audit report was issued on 12 October 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	17 132	20 323	25 078	25 873	22 986
User charges, fees and fines	2 531	55	186	2 268	443
Other operating revenue	0	0	0	68	792
Non-operating revenue	93	15	11	0	0
Total Revenue	**19 756**	**20 393**	**25 275**	**28 209**	**24 221**
Depreciation	0	0	0	2	26
Other operating expenses	19 313	21 295	25 389	26 007	24 117
Total Expenses	**19 313**	**21 295**	**25 389**	**26 009**	**24 143**
Result from Ordinary Activities	**443**	**(902)**	**(114)**	**2 200**	**78**

Comment

The increase in User charges, fees and fines in 1999-00 was mainly due to the recovery of validation costs associated with gaming machines. This resulted in a higher surplus result for that year.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	837	616	416	1 536	2 244
Receivables	325	69	63	347	20
Other	79	59	31	80	104
Total Current Assets	**1 241**	**744**	**510**	**1 963**	**2 368**
Property, plant & equipment	50	50	50	106	265
Total Non-Current Assets	**50**	**50**	**50**	**106**	**265**
Payables	115	106	95	254	175
Provisions	1 531	1 489	1 620	1 338	1 710
Other	169	167	32	26	0
Total Current Liabilities	**1 815**	**1 762**	**1 747**	**1 618**	**1 885**
Provisions	2 185	2 698	2 593	2 032	2 251
Other	56	0	0	0	0
Total Non-Current Liabilities	**2 241**	**2 698**	**2 593**	**2 032**	**2 251**
Net Assets	**(2 765)**	**(3 666)**	**(3 780)**	**(1 581)**	**(1 503)**
Retained surpluses	(2 765)	(3 666)	(3 780)	(1 581)	(1 503)
Total Equity	**(2 765)**	**(3 666)**	**(3 780)**	**(1 581)**	**(1 503)**

Comment

Nil.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	17 132	20 323	25 078	25 873	22 986
Receipts from customers	2 279	696	223	2 080	1 560
Payments to suppliers and employees	(18 936)	(21 240)	(25 501)	(26 774)	(23 654)
Cash from operations	**475**	**(221)**	**(200)**	**1 179**	**892**
Payments for P, P & Equipment	0	0	0	(59)	(184)
Cash used in investing activities	**0**	**0**	**0**	**(59)**	**(184)**
Net increase in cash	**475**	**(221)**	**(200)**	**1 120**	**708**
Cash at the beginning of the period	362	837	616	416	1 536
Cash at end of the period	**837**	**616**	**416**	**1 536**	**2 244**

Comment

Nil

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		443	(902)	(114)	220	78
Operating margin	>1.0	0.01	0.01	0.01	0.01	0.01
Financial Management						
Current ratio	>1	0.68	0.42	0.29	1.21	1.26
Debt collection	30 days	47	69	124	56	17
Creditor turnover	30 days	2	2	1	4	3
Other information						
Staff numbers FTEs		305.2	257.4	244.2	258.6	271.3
Average staff costs ($'000s)		40	50	57	52	58

Comment

The current ratio shows an increase that reflects the growth in Special Deposit and Trust Funds.

Debt collection was higher in 1998-99 due to unusually high uncollected debts at the end of the year.

The fluctuations in creditor turnover are generally due to the timing of the receipt of accounts and the necessary funding being available for their payment by the end of each year.

Staff numbers decreased after 1996-97 with the sale of SPS Supply and the contracting of management of the Central Car Pool and have been increasing over the past two years to fill new positions. Employee expenses were over-stated in 1998-99 due to an error in the calculation of leave entitlements, with an adjustment made in 1999-00. This had the effect of overstating and understating Average staff costs in 1998-99 and 1999-00 respectively.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Statement of Financial Performance or Statement of Financial Position.

Administered Revenues and Expenses

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Appropriations	389 648	373 720	330 734	337 172	456 536
Commonwealth grants	914 132	874 696	905 211	986 310	1 299 282
User charges, fees and fines	637 983	662 862	670 452	708 926	573 347
Other operating revenue	313 585	335 430	355 667	519 321	328 396
Total Revenue	**2 255 348**	**2 246 708**	**2 262 064**	**2 551 729**	**2 657 561**
Borrowing costs	204 095	179 662	178 159	144 064	115 923
Depreciation	3 281	2 832	2 501	6 239	6 951
Grants and subsidies	105 114	87 937	82 563	65 523	117 647
Other operating expenses	329 339	161 464	242 740	155 791	307 003
Total Expenses	**641 829**	**431 895**	**505 963**	**371 617**	**547 524**
Result from operations	**1 613 519**	**1 814 813**	**1 756 101**	**2 180 112**	**2 110 037**
Transfer to Consolidated Fund	na	na	na	1 841 556	2 001 166
Net Result from Operations	**-**	**-**	**-**	**338 556**	**108 871**

Comment

Appropriations were higher in 2000-01 mainly due to additional costs associated with the administration of the Goods and Services Tax, the First Home Owners Scheme and the appropriation of $40 million to the Economic Infrastructure Fund.

Commonwealth grants were higher in 2000-01 as a result of new tax arrangements between the Commonwealth and State Governments.

User charges, fees and fines were lower in 2000-01 mainly as a result of the abolishment of the Safety Net Arrangements with the introduction of national tax changes and the Government's decision to abolish the Racing and Gaming tax and reduce the Lottery and Casino taxes.

Other operating revenue was higher in 1999-00 due to the receipt of $144 million from the sale of the Trust Bank and $40 million from the Softwood Venture.

Borrowing costs have been declining as loans have been repaid. Proceeds from the sale of the Trust Bank in 1999-00 have enabled State borrowings to be subsequently reduced.

The depreciation costs in 1999-00 and 2000-01 were higher due to a change in assessment of the residual value of vehicles, with a resultant increase in average depreciation rates, and increasing lengths of lease.

Grants and subsidies increased in 2000-01 largely due to the introduction of the First Home Owners Grant Scheme and subsidies.

The increase in Other operating expenses was mainly due to an increase in the liability for superannuation, based on the actuary's report.

The Department has historically always had negative Equity due to Provisions for employee entitlements that are higher that its assets.

Administered Assets and Liabilities

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	214 201	283 051	364 898	572 792	728 623
Receivables	51 820	51 002	39 805	38 742	46 354
Investments	71 168	114 546	95 633	38 987	38 002
Other	8 504	5 439	1 686	2 856	2 229
Total Current Assets	**345 693**	**454 038**	**502 022**	**653 377**	**815 208**
Property, plant & equipment	92 908	94 759	88 894	85 836	86 999
Investments	543 717	539 349	749 394	714 438	718 034
Other	11 495	6 168	2 926	3 135	711
Total Non-Current Assets	**648 120**	**640 276**	**841 214**	**803 409**	**805 744**
Payables	11 197	3 609	2 768	2 809	614
Borrowings	692 918	384 765	526 210	683 503	876 446
Provisions	131 209	105 029	99 402	97 920	101 206
Other	141 389	149 010	129 820	197 027	226 222
Total Current Liabilities	**976 713**	**642 413**	**758 200**	**981 259**	**1 204 488**
Borrowings	1 482 849	1 763 204	1 551 141	1 153 713	883 519
Provisions	1 475 956	1 437 015	1 517 303	1 478 292	1 575 747
Other	30 871	49 838	48 218	44 036	51 253
Total Non-Current Liabilities	**2 989 676**	**3 250 057**	**3 116 662**	**2 676 041**	**2 510 519**
Net Assets	**(2 972 576)**	**(2 798 156)**	**(2 531 626)**	**(2 200 514)**	**(2 094 055)**
Retained surpluses	(2 972 576)	(2 798 156)	(2 531 626)	(2 200 514)	(2 094 055)
Total Equity	**(2 972 576)**	**(2 798 156)**	**(2 531 626)**	**(2 200 514)**	**(2 094 055)**

Comment

The increasing Cash amount reflects the increase in Special Deposits and Trust Fund. Significant increases have occurred during the five-years in the following accounts: T424 Trust Bank Sale – Indemnities and Obligations; T710 Economic Infrastructure Fund; T780 Superannuation Provision; and T795 Employment Rationalisation.

Borrowings have been declining as loans have been repaid. Proceeds from the sale of the Trust Bank in 1999-00 enabled State borrowings to be substantially reduced.

Other liabilities have been increasing and consist mainly of the workers' compensation liability as determined by the actuary and agency operating accounts.

The negative Net Assets and Total Equity shows a decrease over the five-years. This reflects the improving position of the State's finances.

Administered Cash Flows

	2000-01 $'000s
Appropriations	456 535
Commonwealth grants	1 299 282
Receipts from customers	830 598
Payments to suppliers and employees	(2 311 139)
Interest received	30 195
Borrowing costs	(134 358)
Cash from operations	**171 113**
Proceeds from investments	38 224
Payments for investments	(4 495)
Payments for P, P & Equipment	(37 353)
Proceeds from sale of P, P & E	25 468
Cash used in investing activities	**21 844**
Proceeds from borrowings	0
Repayment of borrowings	(35 286)
Cash from financing activities	**(35 286)**
Net increase in cash	**157 671**
Cash at the beginning of the period	566 870
Cash at end of the period	**724 541**

Comment

Comparative figures for the prior year were not provided.

3 GOVERNMENT BUSINESSES AND AUTHORITIES

Government Businesses and Authorities are entities that are established under specific legislation that defines the purpose for which they are established and their general functions.

The State Government owns a diverse portfolio of businesses, comprising 14 Government Business Enterprises and 9 State-owned Companies operating in many commercial markets including various primary industries, port operations, transport, financial services, construction, forestry and public utilities.

These businesses have over $3.5bn in net assets, generate more than $1.8bn in operating revenues, employ over 3 500 full time employees and are of fundamental importance to the Tasmanian economy.

The following sections of this chapter provide comparisons and commentary on groups of Government Businesses and Authorities as follows:

- Larger government business enterprises;
- Medium sized government business enterprises;
- Smaller government business enterprises;
- State-owned Companies; and
- Port corporations.

In addition to the comparison of current year financial information for each group of Government Businesses and Authorities there is a five-year comparative analysis of financial information for each business with appropriate commentary. Where necessary amounts have been reclassified in order to maintain consistency.

TAXATION EQUIVALENTS

The taxation equivalents regime provides for the payment of income tax equivalents and capital gains tax equivalents to the Consolidated Fund.

Income tax equivalents, are calculated, determined and paid to the Treasurer as if the *Commonwealth Tax Act* had applied. Capital gains tax (CGT) equivalents form part of the income tax equivalents regime.

GUARANTEE FEES

Guarantee fees are based on the amount of financial accommodation utilised by the entity and all its subsidiaries at the end of the preceding year. For example, an explicit government guarantee is provided to businesses borrowing through the Tasmanian Public Finance Corporation. The Treasurer determines guarantee fees (subject to a maximum prescribed percentage of 1%).

DIVIDENDS

Consistent with commercial practice, the Board of a business recommends to the portfolio or shareholding ministers whether a dividend should be paid in respect of the previous financial year and the amount of that dividend. The ministers will subsequently determine the dividend payable.

As a general rule a dividend can only be paid out of profits earned, and would normally represent 50% of after-tax profits.

SHAREHOLDER VALUE ADDED

A pilot study of Shareholder Value Added (SVA) methodology was undertaken in a number of government businesses during 2000 and the Government subsequently approved the introduction of SVA reporting in selected businesses during 2000-01. Implementation of SVA will be extended to the remaining businesses during 2001-02.

SVA represents the economic profits generated by the business in excess of the return required to the capital providers. GBEs and SOCs are required to report SVA results and in particular, focus on analysing the trend of SVA over time for each business.

The methodology recognises that equity and debt financiers need to be compensated for bearing investment risk. SVA provides an insight into the investment performance of the business by contrasting the opportunity cost of capital with the return generated by the business.

The cost of capital is an opportunity cost and is calculated by reference to the return expected from other like assets that have a similar risk profile. The weighted average cost of capital (WACC) represents the minimum return required by capital providers from their investment in the business, having regard to the opportunity cost of debt and equity finance.

Cost of debt is calculated as the weighted average cost of borrowings plus any applicable guarantee fees.

The cost of equity capital is typically determined using the Capital Asset Pricing Model (CAPM), where the cost of equity capital equals the prevailing 10 year Commonwealth bond rate (presently about 6%) plus a risk premium (Treasury recommend the use of 6.5%) adjusted for the relative risk of the investment when compared to the market as a whole.

Typically the cost of equity capital would range between 10% and 12.5% before tax for government businesses depending on the relative risk beta of the particular business compared to the market as a whole. Assuming a taxation rate of 30%, after tax returns of government business enterprises and State-owned Companies should be of the order of 7% to 8.5% (nominal post-tax).

3.1 GOVERNMENT BUSINESS ENTERPRISES - LARGE

BACKGROUND

Statutory authorities that are subject to provisions of their enabling legislation, and also subject to the provisions of the *Government Business Enterprises Act 1995* (GBE Act), are referred to as Government Business Enterprises (GBEs).

Tasmania's GBEs collectively have net assets valued in excess of $2.680bn, employ over 1 600 people, and generate an estimated $1.018bn in operating revenue annually, and are of fundamental significance to the Tasmanian economy.

The GBE Act made provision for a consistent framework for more accountable, responsive and commercially focussed GBEs. The GBE Act commenced on 1 July 1995 and repealed the *State Authorities Financial Management Act 1990.*

The GBE Act was consistent with the national competition reform agenda and formed part of legislative reform package that also included reform of the electricity supply industry and the establishment of the Government Prices Oversight Commission. The reforms introduced by the GBE Act included:

- A clearer commercial focus for GBEs;
- Greater accountability for financial performance;
- Increased return on investment from each GBE;
- Payment of financial returns to the State; and
- Improved services to clients and consumers.

The GBE Act provides for the payment of guarantee fees, taxation equivalents and dividends by the majority of GBEs.

This part of the report deals with the activities of the following larger GBEs:

- Forestry Tasmania
- Hydro-Electric Corporation
- Motor Accidents Insurance Board
- Tasmanian Public Finance Corporation.

These four GBEs make up over 95% of the net assets controlled by all GBEs, earn over 90% of GBE operating revenue and employ 85% of staff employed in GBEs.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	Forestry Tasmania	Hydro-Electric Corporation	MAIB	TASCORP
	$'000s	$'000s	$'000s	$'000s
Operating revenue	169 870	331 746	117 558	454 726
Non-operating revenue	2 018	0	64	25
Total Revenue	**171 888**	**331 746**	**117 622**	**454 751**
Borrowing Costs	106	87 637	0	437 002
Depreciation	8 564	76 848	541	124
Other Operating Expenses	136 098	120 725	112 669	9 899
Non-Operating Expenses	2 359	252	90	29
Total Expenses	**147 127**	**285 462**	**113 300**	**447 054**
Result from ordinary activities	**24 761**	**46 284**	**4 322**	**7 697**
Income tax expense	5 665	31 060	704	2 721
Result after taxation	**19 096**	**15 224**	**3 618**	**4 976**

Comment

During the 2000-01 financial year, all of the GBE's noted above recorded significant results after tax. The higher results from ordinary activities recorded by Forestry Tasmania and Hydro-Electric Corporation reflect their considerably larger equity base.

FINANCIAL POSITION

	Forestry Tasmania $'000s	Hydro-Electric Corporation $'000s	MAIB $'000s	TASCORP $'000s
Cash	3 229	2 035	1 165	(671)
Receivables	12 569	37 971	215	89 429
Investments	0	30 200	275 932	1 660 702
Inventories	5 918	3 323	0	0
Other	26 596	17 235	332	251 918
Total Current Assets	**48 312**	**90 764**	**277 644**	**2 001 378**
Property, plant & equipment	31 616	3 245 157	34 595	17 647
Investments	14 560	816	263 229	3 032 701
Other	784 912	5 220	9 045	2 344
Total Non-Current Assets	**831 088**	**3 251 193**	**306 869**	**3 052 692**
Payables	8 407	35 924	1 079	86 865
Borrowings	6 457	209 763	0	2 511 078
Provisions	20 093	83 330	125 158	10 177
Other	12 417	334	950	54 221
Total Current Liabilities	**47 374**	**329 351**	**127 187**	**2 662 341**
Borrowings	3	826 791	0	2 377 291
Provisions	59 061	299 688	399 890	4 438
Other	0	242	0	0
Total Non-Current Liabilities	**59 064**	**1 126 721**	**399 890**	**2 381 729**
Net Assets	**772 962**	**1 885 885**	**57 436**	**10 000**
Capital	232 057	0	0	0
Reserves	519 405	1 794 882	0	10 000
Retained profits	21 500	91 003	58 386	0
Total Equity	**772 962**	**1 885 885**	**58 386**	**10 000**

Comment

The Hydro-Electric Corporation and Forestry Tasmania rely on their non-current assets to earn revenues, while MAIB and Tascorp earn revenues based on their investment holdings. Commentary on each individual GBE can be found in their respective sections.

CASH POSITION

	Forestry Tasmania	Hydro-Electric Corporation	MAIB	TASCORP
	$'000s	$'000s	$'000s	$'000s
Receipts from customers	145 472	353 433	99 220	6 012
Payments to suppliers and emloyees	(139 842)	(163 980)	(91 842)	(3 236)
Interest received	821	300	24 884	435 245
Borrowing costs	(73)	(86 048)	0	(499 339)
Taxation expense	0	(21 328)	0	(991)
Contributions ro consolidated Fund	0	(101)	0	0
Cash from operations	**6 378**	**82 276**	**32 262**	**(62 309)**
Proceeds from investments	0	0	0	(326 251)
Payments for investments	0	0	(31 867)	261 376
Payments for P, P & Equipment	(24 617)	(26 503)	(292)	(112)
Proceeds from sale of P, P & E	2 018	2 634	1 038	25
Cash used in investing activities	**(22 599)**	**(23 869)**	**(31 121)**	**(64 962)**
Proceeds from borrowings	0	572 127	0	(131 572)
Repayment of borrowings	(157)	(558 944)	0	26 131
Repayment of Treasury Loans	0	(14 531)	0	0
Dividends paid	(8 687)	(45 062)	(1 533)	(4 223)
Cash from financing activities	**(8 844)**	**(46 410)**	**(1 533)**	**(109 664)**
Net increase in cash	**(25 065)**	**11 997**	**(392)**	**(236 935)**
Cash at the beginning of the period	21 882	20 238	1 557	361 974
Cash at end of the period	**(3 183)**	**32 235**	**1 165**	**125 039**

Comment

The cash flow results from Tascorp are not directly comparable to the other entities as the nature of their business is to regularly trade investments and borrowings, and the balances above are strongly influenced by the mix of cash and non-cash investments held at year end.

The MAIB's net cash result is simply a reflection of the fact that excess cash from operations is invested by its fund manager, and hence a lower cash balance will ensure that returns from investments are maximised.

The Hydro-Electric Corporation's cash balance is high due to the fact that it includes both cash and cash equivalent type investments.

Forestry Tasmania's net decrease in cash was a function of increased payments to suppliers and employees in addition to increased receivable at year-end. This has resulted in Forestry obtaining a bank overdraft facility to fund this short-term cash liquidity issue.

FINANCIAL ANALYSIS

Comment

	Bench Mark	Forestry Tasmania	Hydro-Electric Corporation	MAIB	TASCORP
Financial Performance					
Result from ordinary activities ($'000s)		25 102	46 536	4 348	7 701
EBIT ($'000s)		24 867	123 096	4 322	na
Operating margin	>1.0	1.17	1.16	1.04	1.02
Return on assets		2.80%	3.7%	-	-
Return on equity		2.50%	0.8%	-	-
Financial Management					
Debt to equity		1.6%	55.0%	-	-
Debt to total assets		1.4%	31.0%	-	-
Interest cover	>3	235	2	-	-
Current ratio	>1	1.02	0.28	2.18	0.75
Cost of debt	7.5%	1.6%	7.4%	-	-
Debt collection	30 days	36	43	-	-
Creditor turnover	30 days	30	41	-	-
Returns to Government					
Dividends paid ($'000s)		5 759	49 230	1 809	4 976
Dividend payout ratio	50%	30.20	323.4	50.00	100.00
Dividend to equity ratio		0.7%	2.7%	3.1%	49.8%
Income tax expense ($'000s)		5 665	23 591	0	2 721
Effective tax rate	30%	22.9%	51.0%	0.0%	35.4%
Total return to the State ($'000s)		11 424	72 821	1 809	7 697
Total return to equity ratio		1.5%	3.9%	3.1%	77.0%
Other information					
Staff numbers FTEs		564	639	37	14
Average staff costs ($'000s)		61	75	51	75

As noted previously, each of the entities has made significant results from operations in the 2000-01 financial year. Despite this, the Hydro-Electric Corporation and Forestry Tasmania have returns on equity that are quite low. Tascorp's result for return on equity is influenced by the fact that it has a small equity base amounting to only $10.000m.

The current ratio for the Hydro-Electric Corporation is low due to a significant level of borrowings to be repaid in the coming financial year.

Average staff costs for the Hydro-Electric Corporation includes redundancy payments.

Although each of the entities has made significant returns to the State in the past financial year, including $72.821m paid by the Hydro-Electric Corporation, only Tascorp has achieved a strong total return to equity ratio. Once again, this is influenced by Tascorp's low equity level noted earlier.

OVERALL COMMENT

Generally, each of the State's four large GBE's obtain consistent profits which enables them to provide positive returns to the State. However, apart from Tascorp, these returns need to be higher to provide returns commensurate with the equity invested.

3.1.1 FORESTRY TASMANIA

INTRODUCTION

Forestry Tasmania (FT) was established under the *Forestry Amendment (Forestry Corporation) Act 1994*, which amended the *Forestry Act 1920*. The Corporation has responsibility for optimising both the economic returns from its wood production activities and the benefits to the public and the State of the non-wood values of forests.

The core business of the Corporation is the sustainable production and delivery of forest products and services for optimum community benefit.

The Corporation's Board is comprised of six members, five of whom are appointed by the Governor on the recommendation of the Minister.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The Tasmanian Audit Office received signed financial statements of Forestry Tasmania on 5 November 2001 and an unqualified audit report was issued on that date.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	64 417	90 071	95 796	116 225	169 870
Non-operating revenue	3 808	2 329	2 411	2 138	2 018
Total Revenue	**68 225**	**92 400**	**98 207**	**118 363**	**171 888**
Borrowing costs	179	179	321	321	106
Depreciation	5 594	5 971	7 020	7 827	8 564
Other operating expenses	42 733	65 076	80 055	99 072	136 098
Non-operating expenses	4 310	3 196	3 006	2 811	2 359
Total Expenses	**52 816**	**74 422**	**90 402**	**110 031**	**147 127**
Result from ordinary activities	**15 409**	**17 978**	**7 805**	**8 332**	**24 761**
Income tax expense	5 519	6 971	3 413	(5 097)	5 665
Result after taxation	**9 890**	**11 007**	**4 392**	**13 429**	**19 096**

Comment

The increase in operating revenue for the financial year 1997-98 was principally due to an increase in the net value of softwood export sales and additional state grants. The significant rise in the 2000-01 in operating revenue was due the introduction of Australian Accounting Standard AAS 35 ‘Self Generating and Regenerating Assets’, whereby movements in the Forest asset now are recorded as revenue.

This amounted to additional revenue of $32.118m for the most recent year. Previously these amounts were noted as asset revaluations and hence were adjusted against equity. An increase was also noted in the share of the softwood joint venture revenues, which accounted for $6.277m of the total revenue increase.

The increase in the depreciation expense for the year 1997-98 was due to the re-assessment of useful lives, in particular roads, with the depreciation for this asset class increasing by $0.796 million.

The considerable increase in other operating expenses for the 2000-01 financial year was principally due to the increase in the share of the softwood joint venture expenses of $6.865m and an increase in contractors expense of $13.570m.

The negative income tax expense for the year 1999-00 was due in part to the write back of forest establishment costs on the sale of softwood plantations and an adjustment for over provision of tax from the prior year.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	4 988	4 228	6 994	21 882	3 229
Receivables	2 542	2 244	2 331	11 190	12 569
Investments	6 262	17 036	0	0	0
Inventories	3 278	3 360	3 506	4 294	5 918
Other	38 052	60 861	61 946	24 510	26 596
Total Current Assets	**55 122**	**87 729**	**74 777**	**61 876**	**48 312**
Property, plant & equipment	61 714	30 976	30 326	29 292	31 616
Investments	0	0	12 602	13 440	14 560
Other	596 314	855 125	494 567	737 278	784 912
Total Non-Current Assets	**658 028**	**886 101**	**537 495**	**780 010**	**831 088**
Payables	1 091	2 474	2 132	4 778	8 407
Borrowings	927	687	694	157	6 457
Provisions	20 977	17 993	11 930	17 850	20 093
Other	4 621	6 612	7 992	9 214	12 417
Total Current Liabilities	**27 616**	**27 766**	**22 748**	**31 999**	**47 374**
Borrowings	1 788	700	206	48	3
Provisions	48 198	52 878	56 900	53 685	59 061
Total Non-Current Liabilities	**49 986**	**53 578**	**57 106**	**53 733**	**59 064**
Net Assets	**635 548**	**892 486**	**532 418**	**756 154**	**772 962**
Capital	272 057	272 057	272 057	232 057	232 057
Reserves	356 745	614 099	256 941	515 935	519 405
Retained profits	6 746	6 330	3 420	8 162	21 500
Total Equity	**635 548**	**892 486**	**532 418**	**756 154**	**772 962**

Comment

The increase in cash for the 1999-00 financial year was principally due to the retention of cash to fund costs of the softwood joint venture project. This included retention of part of the sale proceeds from the joint venture to establish a Forestry Infrastructure Fund. The significant decrease of cash funds for the 2000-01 year was due to the above items being commenced and expensed.

The decrease in current investments for the year 1997-98 to nil is due to firstly, regional forest agreement funds being received directly into Forestry Tasmania's trading bank account instead of a separate investment account. Secondly, the superannuation fund investment of $12.602m was reclassified as a non-current investment.

Other Current and Non-current asset movements are due to changes in assumptions implicit in the Forest Valuation. Over the past five-years the Forest Valuation model has undergone some significant adjustments, in how data is captured and how a current value on the forest asset is measured. In light of AAS 35, the valuation approach is now consistent, which has lead to less volatility being noted in the 2000-01 year. Until the recent financial year, the changes in the forest valuation asset were adjusted to equity, and this explains the movements noted in reserves, as the forest valuation reserve is Forestry Tasmania's largest equity reserve.

Property, Plant and equipment decreased in 1997-98 due principally to the transfer of the road asset network, which is now disclosed as part of the Forest Estate asset.

The increase in payables in 2000-01 was largely due to unpaid invoices relating to Tahune Airwalk Project and very tight cash restrictions, which have resulted in an increase in trade creditors.

The increase in borrowings for the 2000-01 financial year was due to the establishment and utilisation of a bank overdraft facility.

The volatility in the current provisions balance in the 1997-98 and 1998-99 years relates to the provision for dividend and provision for income tax balances. Strong results in the 1997-98 year meant that significant liabilities for tax and dividends were recorded, but a significantly lesser return in the following year lead to lower balances for both at the end of 1998-99.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	71 492	93 687	99 382	109 709	145 472
Payments to suppliers and employees	(44 518)	(65 867)	(82 366)	(93 918)	(139 842)
Interest received	565	524	1 080	2 653	821
Borrowing costs	(13)	(127)	(251)	(123)	(73)
Taxation expense	(3 672)	(3 087)	(4 134)	(2 128)	0
Cash from operations	**23 854**	**25 130**	**13 711**	**16 193**	**6 378**
Proceeds from investments	568	20 886	5 056	0	0
Payments for investments	(750)	(31 239)	0	0	0
Payments for P, P & Equipment	(16 556)	(26 534)	(35 472)	(32 189)	(24 617)
Proceeds from sale of P, P & E	3 783	22 611	30 977	74 139	2 018
Cash used in investing activities	**(12 955)**	**(14 276)**	**561**	**41 950**	**(22 599)**
Proceeds from borrowings	0	23	241	0	0
Repayment of borrowings	(78)	(1 747)	(740)	(400)	(157)
Dividends paid	(7 753)	(9 890)	(11 007)	(42 855)	(8 687)
Cash from financing activities	**(7 831)**	**(11 614)**	**(11 506)**	**(43 255)**	**(8 844)**
Net increase in cash	**3 068**	**(760)**	**2 766**	**14 888**	**(25 065)**
Cash at the beginning of the period	1 920	4 988	4 228	6 994	21 882
Cash at end of the period	**4 988**	**4 228**	**6 994**	**21 882**	**(3 183)**

Comment

Increases noted in receipts from customers in the 1997-98 year were due to increased mill door and woodchip sales and additional receipts for increased wood stumpages. Similarly, the increase in 2000-01 is also due to increased sales across the same products.

The large amount for proceeds for investments in 1997-98 is due to the receipt of the regional forests agreement funds, in addition to the superannuation investment funds. As received, these funds were placed into interest earning investments, which explains the increase in payments for investments noted in the same year.

Dividends paid in the 1999-00 year were inflated due to a payment of dividends from capital, amounting to $40.000m.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		15 911	18 845	8 400	9 005	25 102
EBIT ($'000s)		15 588	18 157	8 126	8 653	24 867
Operating margin	>1.0	1.33	1.26	1.10	1.08	1.17
Return on assets		2.2%	1.9%	1.3%	1.0%	2.8%
Return on equity		1.6%	1.2%	0.8%	1.8%	2.5%
Financial Management						
Debt to equity		0.4%	0.3%	0.4%	1.5%	1.6%
Debt to total assets		0.4%	0.2%	0.4%	1.3%	1.4%
Interest cover	>3	87	101	25	27	235
Current ratio	>1	2.00	3.16	3.29	1.93	1.02
Cost of debt	7.5%	6.6%	12.9%	35.7%	156.6%	8.5%
Debt collection	30 days	16	10	10	37	36
Creditor turnover	30 days	27	26	16	26	30
Returns to Government						
Dividends paid or payable ($'000s)		13 923	4 955	7 302	48 687	5 759
Dividend payout ratio	50%	140.8%	45.0%	166.3%	362.6%	30.2%
Dividend to equity ratio		2.2%	0.6%	1.4%	6.4%	0.7%
Income tax paid or payable ($'000s)		5 519	6 971	3 413	(5097)	5 665
Effective tax rate	30%	35.8%	38.8%	43.7%	-61.2%	22.9%
Total return to the State ($'000s)		19 442	11 926	10 715	43 590	11 424
Total return to equity ratio		3.1%	1.3%	2.0%	5.8%	1.5%
Other information						
Staff numbers FTEs		548	585	591	559	564
Average staff costs ($'000s)		51	51	51	59	61

Comment

In each of the past five financial years, Forestry had obtained significant results from operations, averaging a result from operations of $15.453m per annum. Despite this, Forestry's return on equity was low, peaking at 2.5% during the 2000-01 year.

Total returns to the State total $97.907m over the five-years. Once again though, due to Forestry's high equity total, which principally represents the forest asset of the state, the total return to equity ratio remains low.

OVERALL COMMENT

The audit of the accounts for the 2000-01 year was completed with satisfactory results. Forestry significantly improved its documentation of the Forest Valuation Model, making it easier to verify, and ensuring that all information on the model was collated into a single document.

3.1.2 HYDRO-ELECTRIC CORPORATION

INTRODUCTION

The Hydro-Electric Corporation (HEC) was established as a Commission by the *Hydro-Electric Commission Act 1944* and corporatised by the *Hydro-Electric Corporation Act 1995*. The Corporation now trades as *Hydro Tasmania*.

The Corporation is a Government Business Enterprise and is the electricity generator for the State of Tasmania. The Corporation also operates a consulting division and owns the electricity distribution assets on the Bass Strait Islands.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of Hydro Tasmania were received on 21 August 2001 and an unqualified audit report was issued on 29 August 2001.

FINANCIAL RESULTS

The Corporation was disaggregated into three separate businesses on 1 July 1998. The distribution/retail and transmission businesses (assets and liabilities) were transferred to Aurora Energy Pty Ltd (Aurora) and Transend Networks Pty Ltd (Transend) respectively. After disaggregation the HEC retained the generation, systems control and consulting businesses. The systems control business was transferred to Transend on 1 July 2000.

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	528 036	537 255	324 029	323 873	331 746
Non-operating revenue	0	350	0	0	0
Total Revenue	**528 036**	**537 605**	**324 029**	**323 873**	**331 746**
Borrowing costs	175 700	157 267	108 022	127 633	87 637
Depreciation	110 273	118 739	74 862	76 502	76 848
Other operating expenses	156 577	166 906	113 701	117 624	120 725
Non-operating expenses	0	4 175	652	438	252
Total Expenses	**442 550**	**447 087**	**297 237**	**322 197**	**285 462**
Result from ordinary activities	**85 486**	**90 518**	**26 792**	**1 676**	**46 284**
Income tax expense	53 180	55 100	24 201	(5 547)	31 060
Result after taxation	**32 306**	**35 418**	**2 591**	**7 223**	**15 224**

Comment

The increase in borrowing costs in 1999-00 was due to the early termination of certain loans and interest rate swaps, resulting in a loss of $26.8 million. The reduction in 2000-01 was as a result of lower interest rates and further loan restructures.

Income tax expense in 1999-00 amounted to $16.9 million and was offset by an adjustment of $22.5 million due to a change in company income tax rates. This resulted in a tax equivalent benefit of $5.5 million for the year.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	1 668	224	249	274	2 035
Receivables	89 765	84 427	34 420	36 772	37 971
Investments	37 297	32 933	32 740	20 000	30 200
Inventories	11 530	10 710	4 254	6 180	3 323
Other	6 255	7 124	7 928	763	17 235
Total Current Assets	**146 515**	**135 418**	**79 591**	**63 989**	**90 764**
Receivables	734	380	140	0	0
Property, plant & equipment	4 212 938	3 891 233	3 112 562	3 180 746	3 245 157
Investments	1 000	1 000	0	0	816
Other	12 882	12 587	6 703	4 903	5 220
Total Non-Current Assets	**4 227 554**	**3 905 200**	**3 119 405**	**3 185 649**	**3 251 193**
Payables	63 277	55 073	45 896	35 484	35 924
Borrowings	393 384	290 969	317 738	136 384	209 763
Provisions	100 650	138 855	81 546	81 088	83 330
Other	3 279	3 797	230	602	334
Total Current Liabilities	**560 590**	**488 694**	**445 410**	**253 558**	**329 351**
Borrowings	1 032 674	1 104 812	728 846	900 175	826 791
Provisions	366 672	384 149	314 255	292 473	299 688
Other	0	0	0	2 000	242
Total Non-Current Liabilities	**1 399 346**	**1 488 961**	**1 043 101**	**1 194 648**	**1 126 721**
Net Assets	**2 414 133**	**2 062 963**	**1 710 485**	**1 801 432**	**1 885 885**
Reserves	2 390 265	2 061 386	1 548 549	1 677 335	1 794 882
Retained profits	23 868	1 577	161 936	124 097	91 003
Total Equity	**2 414 133**	**2 062 963**	**1 710 485**	**1 801 432**	**1 885 885**

Comment

Cash and investment balances fluctuate depending on levels of cash reserves at the time.

Other current assets have substantially increased in 2000-01 principally due to a prepayment associated with a large contract.

During the last two years, Hydro Tasmania has restructured its loan portfolio, which has impacted on the split between current and non-current borrowings.

The reduction in reserves and the increase in retained profits in 1998-99 are as a result of the disaggregation process mentioned above. A number of reserves were transferred to retained profits as they were no longer required within the new organisation.

Remaining reserves comprise a Fuel Cost Reserve of $24.4m, a General Insurance Reserve of $9.9m and an Asset Revaluation Reserve of $1.761bn.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	523 689	539 841	336 456	320 414	353 433
Payments to suppliers and employees	(149 728)	(157 080)	(109 167)	(125 724)	(163 980)
Interest received	3 514	217	384	336	300
Contributions to Consolidated Fund	(14 475)	(14 776)	(123)	(161)	(101)
Borrowing costs	(184 749)	(159 390)	(104 554)	(119 371)	(86 048)
Income Tax Equivalent Paid	(17 795)	(30 790)	(33 258)	(17 355)	(21 328)
Cash from operations	**160 456**	**178 022**	**89 738**	**58 139**	**82 276**
Proceeds from investments	26 000	0	0	0	0
Payments for P, P & Equipment	(104 775)	(131 372)	(30 652)	(22 092)	(26 503)
Proceeds from sale of P, P & E	3 379	5 518	1 385	5 754	2 634
Cash used in investing activities	**(75 396)**	**(125 854)**	**(29 267)**	**(16 338)**	**(23 869)**
Proceeds from borrowings	900 909	597 400	1 283 000	1 620 906	572 127
Repayment of borrowings	(909 154)	(601 363)	(1 222 767)	(1 557 282)	(558 944)
Repayment of Treasury Loans	(69 189)	(27 763)	(59 510)	(74 055)	(14 531)
Dividend Paid	(22 729)	(27 153)	(57 709)	(42 591)	(45 062)
T/f Money Market Investments	0	0	(2 500)	0	0
Cash from financing activities	**(100 163)**	**(58 879)**	**(59 486)**	**(53 022)**	**(46 410)**
Net increase in cash	**(15 103)**	**(6 711)**	**985**	**(11 221)**	**11 997**
Cash at the beginning of the period	52 288	37 185	30 474	31 459	20 238
Cash at end of the period	**37 185**	**30 474**	**31 459**	**20 238**	**32 235**

Comment

Borrowing costs have generally been reducing due to lower interest rates and loan restructuring.

Adjustments due to a change in company income tax rates resulted in lower than normal income tax equivalent payments for 1999-00.

During the past two years, Hydro Tasmania has restructured its loan portfolio, which has caused variations with borrowing amounts.

Money market investments valued at $2.5 million were transferred to Aurora in 1998-99 as part of the disaggregation process.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		85 486	94 343	27 444	2 114	46 536
EBIT ($'000s)		250 841	240 422	129 845	94 802	123 096
Operating margin	>1.0	1.19	1.21	1.09	1.01	1.16
Return on assets		5.7%	5.7%	3.6%	2.9%	3.7%
Return on equity		1.3%	1.6%	0.1%	0.4%	0.8%
Financial Management						
Debt to equity		59.1%	67.7%	61.2%	57.5%	55.0%
Debt to total assets		32.6%	34.5%	32.7%	31.9%	31.0%
Interest cover	>3	2	2	1	1	2
Current ratio	>1	0.26	0.28	0.18	0.25	0.28
Cost of debt	7.5%	11.6%	10.6%	9.8%	8.9%	7.4%
Debt collection	30 days	66	61	40	43	43
Creditor turnover	30 days	-	14	20	21	43
Returns to Government						
Dividends paid or payable ($'000s)		27 153	57 709	42 591	45 062	49 230
Dividend payout ratio	50%	84.0%	162.9%	1643.8%	623.9%	323.4%
Dividend to equity ratio		1.1%	2.6%	2.3%	2.6%	2.7%
Income tax paid or payable ($'000s)		26 146	38 262	16 116	9 764	23 591
Effective tax rate	30%	30.6%	42.3%	60.2%	582.6%	51.0%
Total return to the State ($'000s)		53 299	95 971	58 707	54 826	72 821
Total return to equity ratio		2.2%	4.3%	3.1%	3.1%	3.9%
Other information						
Staff numbers FTEs		-	-	-	628	639
Average staff costs ($'000s)		-	-	-	74	75

Comment

Return on equity continues to be well below that which would be expected for a commercial undertaking, however returns to the State are boosted by the special dividend of $40m each year.

The interest cover ratio of between one and two over the past five-years indicates that revenues are low compared to the borrowing costs required to service the loan portfolio.

Over the past five-years, current liabilities have consistently exceeded current assets resulting in a current ratio of substantially less than one.

The dividend payout ratio has increased substantially since 1998-99 due to a number of factors including, the special dividend of $40 million and a lower result from ordinary activities flowing from disaggregation.

The effective tax rate increased significantly in 1999-00 due to a small result from ordinary activities and adjustments due to changes in company income tax rates.

FTE staff numbers were not available for the first three years.

The Creditor ratio calculation does not take into account capital expenditure components.

Average staff costs include redundancy payments for both years.

OVERALL COMMENT

Retained profits of the organisation have been steadily decreasing, principally due to the special dividend of $40 million that is required to be paid to the Government each year.

The 2000-01 audit was completed with generally satisfactory results.

3.1.3 MOTOR ACCIDENTS INSURANCE BOARD

INTRODUCTION

The Motor Accidents Insurance Board (MAIB) was established under the *Motor Accidents (Liability and Compensation) Act 1973*. The principal business of the MAIB is to provide no fault insurance coverage to Tasmanian motorists.

The Board of Directors of the MAIB comprises six members appointed by the Governor on the recommendation of the Responsible Minister.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of MAIB were received on 22 August 2001 and an unqualified audit report was issued on 17 September 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	113 106	101 515	92 129	119 847	117 558
Non-operating revenue	163	143	44	93	64
Total Revenue	**113 269**	**101 658**	**92 173**	**119 940**	**117 622**
Depreciation	175	172	159	431	541
Other operating expenses	101 653	97 091	101 997	113 228	112 669
Non-operating expenses	198	228	115	236	90
Total Expenses	**102 026**	**97 491**	**102 271**	**113 895**	**113 300**
Result from ordinary activities	**11 243**	**4 167**	**(10 098)**	**6 045**	**4 322**
Income tax expense	3 745	373	(4 530)	2 979	704
Result after taxation	**7 498**	**3 794**	**(5 568)**	**3 066**	**3 618**

Comment

Operating revenue consists of 2 major components, premium revenue and investment revenue.

Premium revenue has gradually increased over the five-year period due to increases in vehicle numbers and premium rate increases based on GPOC recommendations.

The Board's investments are measured at net market value at the end of the reporting period in accordance with AAS26. Differences between the net market values of investments at reporting date and their net market values at the previous reporting date, (or cost of acquisition, if acquired during the financial year), are recognised as revenue or expenses in the period in which the changes occur. Net market value losses of $10.117m were incurred during the 1998-99 year causing the reduction in operating revenue for that year.

The increase in depreciation expense for the 1999-00 and 2000-01 years can be attributed to the implementation of a new claims management system during 1999-00.

The major expense included in other operating expenses is claims expense. The value of the Board's claims liability is actuarially assessed each year and the discounted claims liability, and related movements for the year are recorded in the Board's financial statements in accordance with AAS26.

Abnormal expenses relating to the impact of the GST on the non-current portion of the outstanding claims provision of $16.000m (1998-99) and $2.526m (1999-00) are included in other operating expenses for these years. The effect of the abnormal item in 1998-99 resulted in the Board making a loss of $10.098m before tax for the year.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	701	240	100	1 557	1 165
Receivables	30	254	65	31	215
Investments	185 375	221 559	106 031	255 756	275 932
Other	119	352	398	331	332
Total Current Assets	**186 225**	**222 405**	**106 594**	**257 675**	**277 644**
Property, plant & equipment	40 102	39 913	39 230	35 713	34 595
Investments	222 780	216 777	349 906	245 537	263 229
Other	10 832	10 059	13 233	9 983	9 045
Total Non-Current Assets	**273 714**	**266 749**	**402 369**	**291 233**	**306 869**
Payables	743	349	204	4 249	1 079
Provisions	86 472	95 408	108 674	115 495	125 158
Other	924	452	529	580	950
Total Current Liabilities	**88 139**	**96 209**	**109 407**	**120 324**	**127 187**
Provisions	308 006	329 785	345 041	372 587	399 890
Total Non-Current Liabilities	**308 006**	**329 785**	**345 041**	**372 587**	**399 890**
Net Assets	**63 794**	**63 160**	**54 515**	**55 997**	**57 436**
Retained profits	64 718	63 612	55 044	56 577	58 386
Total Equity	**64 718**	**63 612**	**55 044**	**56 577**	**58 386**

Comment

The composition of the Board's investment portfolio at 30 June 1999 resulted in a greater component of the portfolio being classified as a non-current asset than in comparative years.

The reduction in property, plant and equipment for the 1999-00 year was primarily due to the sale of the Board's share of 21 Kirksway Place during July 1999, a commercial office building situated in Hobart.

The major component of Other Non-Current Assets is the future income tax benefit relating to the carry forward losses from prior years. At 30 June 2001 the FITB totalled $7.042m.

Current payables for 1999-00 included $3.900m for Goods and Services Tax payable on premiums for policies that spanned 30 June 2000 and were collected prior to 30 June 2000.

CASH POSITION

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	70 343	80 762	83 968	89 794	99 220
Payments to suppliers and employees	(76 316)	(69 059)	(74 452)	(81 781)	(91 842)
Interest received	16 383	19 604	21 144	23 080	24 884
Cash from operations	**10 410**	**31 307**	**30 660**	**31 093**	**32 262**
Proceeds from investments					
Payments for investments	(4 572)	(19 787)	(24 960)	(31 750)	(31 867)
Payments for P, P & Equipment	(5 775)	(2 397)	(1 739)	(1 602)	(292)
Proceeds from sale of P, P & E	164	166	799	3 716	1 038
Cash used in investing activities	**(10 183)**	**(22 018)**	**(25 900)**	**(29 636)**	**(31 121)**
Dividends paid	0	(9 750)	(4 900)	0	(1 533)
Cash from financing activities	**0**	**(9 750)**	**(4 900)**	**0**	**(1 533)**
Net increase in cash	**227**	**(461)**	**(140)**	**1 457**	**(392)**
Cash at the beginning of the period	474	701	240	100	1 557
Cash at end of the period	**701**	**240**	**100**	**1 557**	**1 165**

Comment

The Board jointly owned an office building situated at 21 Kirksway Place, Hobart with the Retirement Benefits Fund Board for the purpose of leasing the building as commercial office premises. The Board sold its share of the building to the Retirement Benefits Fund Board during 1999-00 resulting in the increase in proceeds from the sale of property, plant and equipment during that year.

There was no dividend paid during 1996-97. However, a special dividend of $3m and an ordinary dividend of $3.750m were provided for at 30 June 1997 and paid in 1997-98. A second special dividend of $3m was also determined for 1997-98 and paid in that year. The $4.900m paid during 1998-99 included a further $3m special dividend and an ordinary dividend of $1.900m.

Payments for the purchase of property, plant and equipment during the 1998-99 and 1999-00 years included the development of a new claims management system.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		11 278	4 252	(10 027)	6 188	4 348
EBIT ($'000s)		11 243	4 167	(10 098)	6 045	4 322
Operating margin	>1.0	1.11	1.04	0.90	1.05	1.04
Return on assets		2.6%	0.9%	-2.0%	1.1%	0.8%
Return on equity		11.7%	5.9%	-9.4%	5.5%	6.3%
Financial Management						
Debt to equity		-	-	-	-	-
Debt to total assets		-	-	-	-	-
Interest cover	>3	-	-	-	-	-
Current ratio	>1	2.11	2.31	0.97	2.14	2.18
Cost of debt	7.5%	-	-	-	-	-
Debt collection	30 days	-	-	-	-	-
Creditor turnover	30 days	-	-	-	-	-
Returns to Government						
Dividends paid or payable ($'000s)		6 750	4 900	3 000	1 533	1 809
Dividend payout ratio	50%	90.0%	129.2%	-53.9%	50.0%	50.0%
Dividend to equity ratio		10.4%	7.6%	5.1%	2.7%	3.1%
Income tax paid or payable ($'000s)		-	-	-	-	-
Effective tax rate	30%	-	-	-	-	-
Total return to the State ($'000s)		6 750	4 900	3 000	1 533	1 809
Total return to equity ratio		10.4%	7.6%	5.1%	2.7%	3.1%
Other information						
Staff numbers FTEs		35	32	35	36	37
Average staff costs ($'000s)		44	46	40	45	51

Comment

Dividends totalling $17.992m have been provided and/or paid to the State Government relating to the 1996-97 to 2000-01 financial years.

The loss during 1998-99 resulted in negative returns on assets and equity for that year.

The reduction in the current ratio for 1998-99 was due to the composition of the investment portfolio at 30 June 1999 and the resulting allocation between current and non-current.

MAIB does not have any borrowings in place and hence the debt related ratios are not applicable.

The debt collection ratio was also deemed not applicable as the nature of the Board's operations is that the majority of revenue is derived from premium payments and investment income. The Department of Infrastructure, Energy and Resources, as part of overall motor vehicle registration fees, invoice premium revenue to customers. The MAIB does not raise debtors for these amounts and therefore the debt collection ratio is not a relevant measure of performance.

Similarly, due to the nature of the Board's operations, the majority of expenses are claims and underwriting expenses. Hence, the creditor turnover ratio is also not relevant and has been deemed not applicable.

Special dividends of $3m per year were payable to the State Government for the 1996-97, 1997-98 and 1998-99 years. The special dividend payable for the 1998-99 year resulted in a negative dividend payout ratio as the Board recorded an operating loss of $10.098m for this financial year.

The Board is required under the GBE Act 1995 to make tax equivalent payments to the State Government, however due to tax losses incurred in prior years no payments have been made within the last 5 years. Carry forward tax losses total $29.996m as at 30 June 2001. A future income tax benefit of $7.042m has been recorded as an asset in the financial statements as the realisation of the benefits is considered virtually certain.

OVERALL COMMENT

MAIB have made a profit before tax of $15.679m (after tax $12.408m) for the 5 years to 2000-01. During this same period $17.992m of dividends have been provided for or paid to the Tasmanian Government. Due to the Board's carry forward tax losses, no tax equivalent payments have been made in the last 5 years.

The 2000-01 audit was completed satisfactorily with no major issues outstanding.

The nature of the MAIB's operation results in claims being made for personal injury resulting from motor vehicle accidents. The claims made take a considerable amount of time to be settled and as a consequence, the determination of a liability for outstanding and unreported claims is an estimate.

The total liability for claim provisions at 30 June 2001 was $478.439m (1999-00, $444.421m).

To ensure the adequacy of the claims liability the MAIB has appointed an independent Actuary to review claims data and provide the valuation of the claims liability.

It is noted that the estimation of future payments is inherently imprecise, particularly in respect of liabilities settled over an extended time frame. Although the valuation is prepared in accordance with probable future experience, the actual experience could vary from that assumed.

Consequently, the liability includes a prudential margin on central claims estimates. Central claims estimates are the Actuary's estimate of liabilities with no deliberate bias to either under or overstate the provision.

The level at which the prudential margin is set has a significant impact on the outstanding claims liability and impacts on the claims expense total, which directly effects the operating result of the MAIB. It is noted that the prudential margin has remained constant over the previous four accounting periods.

The Board has had a review undertaken which has recommended a change to the current claims valuation method for liabilities greater than 10 years. This recommendation has been agreed to by the Board and is to take effect for the 2001-02 financial year. It is not expected to have a material effect on the Board's claims liability value.

3.1.4 TASMANIAN PUBLIC FINANCE CORPORATION

INTRODUCTION

The Corporation was established by the *Tasmanian Public Finance Corporation Act 1985.* The Corporation comprises four members appointed by the Governor. The functions of the Corporation include the development and implementation of borrowing and investment programs for State Authorities, including local government.

The Responsible Minister is the Treasurer.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements of the Corporation were received on 13 August 2001 and a **qualified audit report** was issued on 17 August 2001. That qualification related to the non-compliance with the requirements of Australian Accounting Standard AAS 23, Set-off and Extinguishment of Debt. The Corporation redeems debt before its maturity in order to replace it with more suitable debt, or because the debt is no longer required, due to early repayment of loans by clients. Since 1 April 1992, the Corporation has amortised gains and losses arising on debt redeemed over the remaining term of the liability, under the terms of an exemption from the Treasurer in applying AAS 23. However it is still necessary for me to take cognisance of any non-compliance with the Accounting Standards in issuing my audit opinion.

Liabilities of $384.362m (1999-00, $384.362m) have been redeemed since April 1992. As at 30 June 2001 the un-amortised loss totalled $1.364m ($8.122m), and net expense of $6.758m ($3.783m), was amortised during the year. Had these transactions taken place in the absence of an exemption from AAS 23 the result for the year would be an operating profit of $14.455 (Loss $2.709m) before tax and the amount of $1.364m ($8.122m) Deferred Debt Buy-Back Losses would not have appeared as an asset in Balance Sheet.

The Corporation has advised that had the exemption not been granted under the Act, the debt concerned would not have been redeemed.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	412 950	372 010	360 739	409 467	454 726
Non-operating revenue	45	43	20	23	25
Total Revenue	**412 995**	**372 053**	**360 759**	**409 490**	**454 751**
Borrowing costs	404 153	363 889	352 482	396 743	437 002
Depreciation	164	156	145	143	124
Other operating expenses	5 071	4 464	3 633	7 439	9 899
Non-operating expenses	45	43	23	23	29
Total Expenses	**409 433**	**368 552**	**356 283**	**404 348**	**447 054**
Result from ordinary activities	**3 562**	**3 501**	**4 476**	**5 142**	**7 697**
Income tax expense	1 170	1 144	1 498	919	2 721
Result after taxation	**2 392**	**2 357**	**2 978**	**4 223**	**4 976**

Comment

During the past five-years, operating revenue has fluctuated, which is principally a function of Tascorp's operations, as returns made on investments are a function of market conditions, underlying interest rates, margins and investment strategies. The significant decrease noted in 1997-98 was principally due to interest rate movements, and the substantial increase in 1999-00 was due to a change in accounting policy, where interest on cross currency swaps was shown on a gross basis instead on a net basis as in prior years. The increase the 2000-01 year is due to a significant rise in interest on investments, which is principally due to a change in Tascorp's investment strategies.

The borrowing costs expense has fluctuated in line with the revenue movements, which shows that this variance is simply a reflection of Tascorp's investment trading business.

The peaks noted in other operating expenses are due to amounts being recorded for the debt reconstruction amortisation, which was discussed above in the qualification explanation.

Tascorp has recorded increasing profits over the past five-years, and as a result income tax expense has also increased.

FINANCIAL POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Cash	(531)	781	(248)	775	(671)
Interest Receivable	113 032	103 948	125 740	115 691	89 429
Investments	1 208 444	919 303	1 117 591	1 525 400	1 660 702
Other	2 006	86 269	61 084	151 131	251 918
Total Current Assets	**1 322 951**	**1 110 301**	**1 304 167**	**1 792 997**	**2 001 378**
Property, plant & equipment	17 863	17 797	17 735	17 687	17 647
Investments	2 913 876	3 366 213	3 356 098	3 312 033	3 032 701
Other	240	4 706	11 115	5 750	2 344
Total Non-Current Assets	**2 931 979**	**3 388 716**	**3 384 948**	**3 335 470**	**3 052 692**
Interest Payable	112 540	100 228	95 264	109 188	86 865
Borrowings	1 733 076	1 204 581	1 465 980	1 975 950	2 511 078
Provisions	4 234	2 642	3 327	4 676	10 177
Other	43 897	81 088	409	35 695	54 221
Total Current Liabilities	**1 893 747**	**1 388 539**	**1 564 980**	**2 125 509**	**2 662 341**
Borrowings	2 349 461	3 093 139	3 098 889	2 982 159	2 377 291
Provisions	1 728	7 339	15 246	10 799	4 438
Total Non-Current Liabilities	**2 351 189**	**3 100 478**	**3 114 135**	**2 992 958**	**2 381 729**
Net Assets	**9 994**	**10 000**	**10 000**	**10 000**	**10 000**
Reserves	9 994	10 000	10 000	10 000	10 000
Total Equity	**9 994**	**10 000**	**10 000**	**10 000**	**10 000**

Comment

Although Tascorp's financial statements do not separately disclose assets and liabilities in current and non-current categories, this has been done for this Report for consistency of presentation with other GBEs and comparability purposes.

The major movements related to Tascorp's statement of financial position over the past 5 years are mainly a function of the duration (ie average time to maturity) of investments and borrowing instruments. In the 1997-98 there was a significant change to invest in longer-term instruments. In contrast, there was a significant increase in current investments and borrowings in the 2000-01 year, as these types of investments became more profitable than longer-term investments.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	4 397	4 222	3 500	3 366	6 012
Payments to suppliers and employees	(3 179)	(3 435)	(3 042)	(14 804)	(3 236)
Interest received	413 589	376 904	351 692	509 722	435 245
Borrowing costs	(409 989)	(376 201)	(356 711)	(476 451)	(499 339)
Taxation expense	(1 456)	(2 676)	0	0	(991)
Cash from operations	**3 362**	**(1 186)**	**(4 561)**	**21 833**	**(62 309)**
Proceeds from investments	(4 596)	(27 545)	(36 926)	(49 974)	(326 251)
Payments for investments	16 075	189 334	(10 782)	114 067	261 376
Payments for P, P & Equipment	(368)	(148)	(106)	(118)	(112)
Proceeds from sale of P, P & E	45	43	20	23	25
Cash used in investing activities	**11 156**	**161 684**	**(47 794)**	**63 998**	**(64 962)**
Proceeds from borrowings	(291 532)	0	(63 171)	(67 543)	(131 572)
Repayment of borrowings	0	9 969	220 342	176 694	26 131
Dividends paid	(1 125)	(1 196)	(2 351)	(2 978)	(4 223)
Cash from financing activities	**(292 657)**	**8 773**	**154 820**	**106 173**	**(109 664)**
Net increase in cash	**(278 139)**	**169 271**	**102 465**	**192 004**	**(236 935)**
Cash at the beginning of the period	176 373	(101 766)	67 505	169 970	361 974
Cash at end of the period	**(101 766)**	**67 505**	**169 970**	**361 974**	**125 039**

Comment

Tascorp includes cash balances and the net balance of investments and borrowings at call as the cash balance for cash flow purposes.

Hence, the significant volatility in proceeds and payments for investments, in addition to the changes in proceeds and payments for borrowings, is merely a function of Tascorp's investment strategies. The figures noted only represent net movements in types of investments (investment and advances) and borrowings (deposits, borrowings) as well as swap prepayments.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		3 562	3 501	4 479	5 142	7 701
EBIT ($'000s)						
Operating margin	>1.0	1.01	1.01	1.01	1.01	1.02
Return on assets						
Return on equity		25.5%	23.6%	29.8%	42.2%	49.8%
Financial Management						
Debt to equity						
Debt to total assets						
Interest cover	>3					
Current ratio	>1	0.70	0.80	0.83	0.84	0.75
Cost of debt	7.5%	9.9%	8.7%	8.0%	8.3%	8.9%
Debt collection	30 days					
Creditor turnover	30 days					
Returns to Government						
Dividends paid or payable ($'000s)		1 196	2 351	2 978	4 223	4 976
Dividend payout ratio	50%	50.0%	99.7%	100.0%	100.0%	100.0%
Dividend to equity ratio		12.7%	23.5%	29.8%	42.2%	49.8%
Income tax paid or payable ($'000s)		1 170	1 144	1 498	919	2 721
Effective tax rate	30%	32.8%	32.7%	33.5%	17.9%	35.4%
Total return to the State ($'000s)		2 366	3 495	4 476	5 142	7 697
Total return to equity ratio		25.2%	35.0%	44.8%	51.4%	77.0%
Other information						
Staff numbers FTEs		18	16	14	14	14
Average staff costs ($'000s)		68	70	72	74	75

Comment

The Corporation is primarily a financial institution, borrowing and lending on behalf of other organisations. As some areas of analysis are designed to indicate the extent to which government organisations borrow, lend, collect debtors and turn over creditors, they are not applicable in Tascorp's context.

Due to Tascorp's low equity base, significant returns on equity are noted for each of the five-years under review. Overall, in tax and dividends, the Corporation has returned $23.176m to the state over the past five-years, at an average of $4.635m per annum.

OVERALL COMMENT

Apart from the qualification issue noted previously, the audit of the financial statements for the 2000-01 year was completed with satisfactory results.

3.2 GOVERNMENT BUSINESS ENTERPRISES - MEDIUM

BACKGROUND

For background commentary see Part 3.1 of this report.

This part of the report deals with the activities of the following medium-sized GBEs:

- Civil Construction Services Corporation (CCSC);
- Port Arthur Historic Site Management Authority (PAHSMA);
- Rivers and Water Supply Commission (RWSC); and
- Southern Regional Cemetery Trust (SRCT).

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	Civil Construction $'000s	**Port Arthur Historic Site Management Authority** $'000s	**Rivers and Waters Supply Commission** $'000s	**Southern Regional Cemetery Trust** $'000s
Operating revenue	26 527	6 210	2 124	1 764
Non-operating revenue	219	1 010	0	0
Total Revenue	**26 746**	**7 220**	**2 124**	**1 764**
Borrowing Costs	104	0	1 195	0
Depreciation	873	517	545	343
Other Operating Expenses	27 572	8 195	1 320	1 461
Non-Operating Expenses	123	9	0	0
Total Expenses	**28 672**	**8 721**	**3 060**	**1 804**
Result from ordinary activities	**(1 926)**	**(1 501)**	**(936)**	**(40)**
Income tax expense	569	0	0	(5)
Result after taxation	**(1 357)**	**(1 501)**	**(936)**	**(45)**

Comment

Losses have occurred for all 4 GBEs but for different reasons:

- For CCSC the loss was primarily attributable to contract delays relating to an untimely wet season;
- PAHSMA's operating expenses included additional expenditure on conservation works of $1.25m, plus a transfer of $322 000 work-in-progress

from the previous year, but received less funding to offset the conservation activity;

- RWSC's ongoing operating loss situation primarily is due to the subsidy from Government being treated as an equity contribution;
- Increases in SRCT's operating expenses were due to depreciation on the newer crypt developments, as well as costs relating to their construction, assumption of plaque production from funeral directors, increased maintenance and a large payout of superannuation and leave entitlements for an employee.

Operating revenue remained fairly steady for all four entities during the past five-years. Both CCSC and RWSC have had ongoing losses or near losses over this same time span.

FINANCIAL POSITION

	Civil Construction $'000s	Port Arthur Historic Site Management Authority $'000s	Rivers and Waters Supply Commission $'000s	Southern Regional Cemetery Trust $'000s
Cash	(581)	2 214	217	36
Receivables	3 052	76	812	463
Investments	78	248	703	2 420
Inventories	1 275	0	0	0
Other		117	0	3
Total Current Assets	**3 824**	**2 655**	**1 732**	**2 922**
Property, plant & equipment	7 787	9 022	35 803	5 379
Investments	0	0	0	0
Other	1 102	0	675	0
Total Non-Current Assets	**8 889**	**9 022**	**36 478**	**5 379**
Payables	2 316	136	176	70
Borrowings	322	0	1 790	0
Provisions	924	933	336	189
Other	214	473	0	70
Total Current Liabilities	**3 776**	**1 542**	**2 302**	**329**
Borrowings	1 179	0	13 284	0
Provisions	889	1 491	407	1 097
Other	0	0	0	0
Total Non-Current Liabilities	**2 068**	**1 491**	**13 691**	**1 097**
Net Assets	**6 869**	**8 644**	**22 217**	**6 875**
Capital	8 031	0	0	1 002
Reserves	0	0	17 725	6 012
Retained profits/(accumulated losses)	(1 183)	8 644	4 491	(138)
Total Equity	**6 848**	**8 644**	**22 216**	**6 876**

Comment

As noted above, RWSC's subsidies are treated as contributions to equity, in contrast to the other entities. It's high amount of non-current assets comprises dam and other catchment infrastructure. CCSC's delays in carrying out works has affected its cash flows, thus resulting in an overdraft balance at the end of the year. However funds from interstate contracts are outstanding and these are reflected in the receivables balance.

CASH POSITION

	Civil Construction $'000s	Port Arthur Historic Site Management Authority $'000s	Rivers and Waters Supply Commission $'000s	Southern Regional Cemetery Trust $'000s
Receipts from customers	26 618	7 679	1 268	1 490
Payments to suppliers and emloyees	(28 755)	(8 022)	(1 445)	(1 441)
Interest received	27	163	41	169
Borrowing costs	(96)	0	(1 195)	0
Taxation expense	0	0	0	0
Cash from operations	**(2 206)**	**(180)**	**(1 331)**	**218**
Proceeds from investments	0	0	0	380
Payments for investments	0	0	0	0
Payments for P, P & Equipment	(649)	(242)	(961)	(342)
Proceeds from sale of P, P & E	219	1	658	17
Cash used in investing activities	**(430)**	**(241)**	**(303)**	**55**
Capital contribution from Government			2 886	0
Proceeds from borrowings	0	0	2 866	0
Repayment of borrowings	(245)	0	(4 651)	(250)
Dividends paid	(96)	0	0	(80)
Cash from financing activities	**(341)**	**0**	**1 101**	**(330)**
Net increase in cash	**(2 977)**	**(421)**	**(533)**	**(57)**
Cash at the beginning of the period	2 396	2 635	1 451	93
Cash at end of the period	**(581)**	**2 214**	**918**	**36**

Comment

In line with the increase in operating expenditure compared to revenue during the year, three of the GBEs had net cash outflows from operations.

FINANCIAL ANALYSIS

	Bench Mark	Civil Construction	Port Arthur Historic Site Management Authority	Rivers and Waters Supply Commission	Southern Regional Cemetery Trust
Financial Performance					
Result from ordinary activities ($'000s)		(1 918)	(2 502)	(936)	(40)
EBIT ($'000s)		(1 822)	(1 501)	259	(45)
Operating margin	>1.0	0.93	0.71	0.69	0.98
Return on assets		-14.8%	-12.4%	-2.5%	-0.5%
Return on equity		-18.0%	-16.0%	-4.2%	-0.7%
Financial Management					
Debt to equity		21.9%	0.0%	67.9%	6.7%
Debt to total assets		11.8%	0.0%	39.5%	5.6%
Interest cover	>3	17.0	-	0.2	-
Current ratio	>1	1.01	1.72	0.75	8.9
Cost of debt	7.5%	10.1%	0.0%	7.9%	-
Debt collection	30 days	41	8	100	108
Creditor turnover	30 days	11	14	57	37
Returns to Government					
Dividends paid ($'000s)		0	0	0	0
Dividend payout ratio	50%	-	-	-	-
Dividend to equity ratio		-	-	-	-
Income tax expense ($'000s)		0	0	0	5
Effective tax rate	30%	-	-	-	-12.5%
Total return to the State ($'000s)		0	0	0	5
Total return to equity ratio		-	-	-	0.1%
Other information					
Staff numbers FTEs		130		7	16
Average staff costs ($'000s)		48		15	44

Comment

For the reasons detailed above, operating margins for all four GBEs were less than 1. Due to the nature and policy for government-supplied goods and services, full cost recovery is not always possible, such as water supplied to primary producers by RWSC.

All four entities also had poor results in terms of returns on assets and equity. Interest cover was favourable for CCSC but was extremely low for RWSC, mainly due to its treatment of the annual subsidy as an equity contribution.

Timely debt collection is a problem for RWSC and SRCT, while the increase for CCSC reflects the increase in receivables due to new contracts.

None of the four entities paid a dividend in the past year, due to operating losses.

SRCT's higher average staff cost was due to the separation payment made to a former employee during the year.

OVERALL COMMENT

Performance has been mixed for medium-sized GBEs due to a variety of factors this year, but this was due mainly to increases in operating expenses that were not offset by revenue.

3.2.1 CIVIL CONSTRUCTION SERVICES CORPORATION

INTRODUCTION

The Corporation was established under the *Civil Construction Services Corporation Act 1994*. The principal function of the Corporation is to carry on a civil construction and maintenance business.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Financial statements were signed on 30 August 2001 and received by the Tasmanian Audit Office on 31 August 2001. An unqualified opinion was given on 21 September 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	25 207	22 461	20 488	19 529	26 527
Non-operating revenue	5 949	435	166	899	219
Total Revenue	**31 156**	**22 896**	**20 654**	**20 428**	**26 746**
Borrowing costs	0	0	0	15	104
Depreciation	1 208	789	579	642	873
Other operating expenses	24 599	23 099	19 896	19 176	27 572
Non-operating expenses	4 147	508	132	428	123
Total Expenses	**29 954**	**24 396**	**20 608**	**20 261**	**28 672**
Result from ordinary activities	**1 202**	**(1 500)**	**46**	**167**	**(1 926)**
Income tax expense	444	(539)	18	(26)	(569)
Result after taxation	**758**	**(961)**	**28**	**193**	**(1 357)**

Comment

There was a decline in civil engineering operations between 1996-97 and 1997-98 directly impacting on operating revenue. This was matched by a significant reduction in staff numbers through a redundancy program, the cost of which was mostly reflected in 1997-98, where a significant loss was recorded.

A large amount of surplus plant items were sold in 1996-97, and is reflected above as non-operating revenue, and its written down value noted as a non-operating expense.

The reduction in depreciation expense recorded in the following years reflects this major sell off.

Increases in operating revenue and expenses for 2000-01 reflect new contracts within Victoria and South Australia, involving a considerable increase in the corporation's workforce. The loss incurred at the end of the year was partly attributed to contract delays relating to an untimely wet season.

FINANCIAL POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Cash	5 945	5 467	4 939	2 396	(581)
Receivables	1 336	788	1 034	876	3 052
Inventories	290	130	132	166	78
Other	1 645	1 811	1 226	1 007	1 275
Total Current Assets	**9 216**	**8 196**	**7 331**	**4 445**	**3 824**
Property, plant & equipment	5 967	6 306	5 811	6 627	7 787
Other	590	1 005	833	913	1 102
Total Non-Current Assets	**6 557**	**7 311**	**6 644**	**7 540**	**8 889**
Payables	1 255	2 980	1 761	1 347	2 316
Borrowings	0	0	0	102	322
Provisions	1 856	903	654	855	924
Other	87	0	91	69	214
Total Current Liabilities	**3 198**	**3 883**	**2 506**	**2 373**	**3 776**
Borrowings	0	0	0	459	1 179
Provisions	1 499	1 509	1 340	928	889
Total Non-Current Liabilities	**1 499**	**1 509**	**1 340**	**1 387**	**2 069**
Net Assets	**11 076**	**10 115**	**10 129**	**8 225**	**6 868**
Capital	10 031	10 031	10 031	8 031	8 031
Retained profits	1 045	84	98	194	(1 163)
Total Equity	**11 076**	**10 115**	**10 129**	**8 225**	**6 868**

Comment

The increase in receivables in 2000-01 was due to an increase in the number of contracts, with some larger contracts having payments due well after the end of the financial year.

Payables were significantly higher in 1997-98 due to accrued redundancy payments, while the increase in 2000-01 was mainly due to increased work in progress accruals incurred on some major projects.

Property plant and equipment has steadily increased since 1998-99 due to the hire purchase of some major plant vehicles used in civil construction operations. This also explains the existence of a borrowings balance for both the 1999-00 and 2000-01 financial years.

The decrease in capital noted in the 1999-00 year was due to an equity reduction of $2.000m paid to Treasury.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	30 013	22 803	20 188	19 904	26 618
Payments to suppliers and employees	(30 403)	(21 936)	(20 835)	(19 708)	(28 755)
Interest received	548	278	169	191	27
Borrowing costs	0	0	0	0	(96)
Taxation expense	(7)	(298)	0	0	0
Cash from operations	**152**	**847**	**(478)**	**387**	**(2 206)**
Payments for P, P & Equipment	(986)	(1 540)	(217)	(1 769)	(649)
Proceeds from sale of P, P & E	5 489	753	166	899	219
Cash used in investing activities	**4 503**	**(787)**	**(51)**	**(870)**	**(430)**
Repayment of borrowings	0	0	0	(45)	(245)
Dividends paid	(7 708)	(537)	0	(2 015)	(96)
Cash from financing activities	**(7 708)**	**(537)**	**0**	**(2 060)**	**(341)**
Net increase in cash	**(3 054)**	**(477)**	**(529)**	**(2 543)**	**(2 977)**
Cash at the beginning of the period	8 999	5 945	5 468	4 939	2 396
Cash at end of the period	**5 945**	**5 468**	**4 939**	**2 396**	**(581)**

Comment

The variability in both receipts from customers and payments to suppliers and employees is in line with previous comments with respect to the change in civil construction operations. The significant deficit in cash from operations noted in the 2000-01 year is a direct result of the wet season experienced on the mainland in addition to less cash received through works in progress, which was evidenced by the increase in debtors for the 2000-01 financial year.

The increase in payments for property, plant and equipment in the past two financial years is consistent with the increases noted in the Statement of Financial Position noted above.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(600)	(1427)	13	(288)	(1918)
EBIT ($'000s)		1 202	(1500)	46	182	(1822)
Operating margin	>1.0	0.98	0.94	1.00	0.99	0.93
Return on assets		5.9%	-9.6%	0.3%	1.4%	-14.8%
Return on equity		5.2%	-9.1%	0.3%	2.1%	-18.0%
Financial Management						
Debt to equity		0.0%	0.0%	0.0%	6.8%	21.9%
Debt to total assets		0.0%	0.0%	0.0%	4.7%	11.8%
Interest cover	>3				12	- 17
Current ratio	>1	2.88	2.11	2.93	1.87	1.01
Cost of debt	7.5%	0.0%	0.0%	0.0%	2.7%	10.1%
Debt collection	30 days	16	11	17	15	41
Creditor turnover	30 days	4	8	8	13	11
Returns to Government						
Dividends paid or payable ($'000s)		537	0	2 015	96	0
Dividend payout ratio	50%	70.8%	0.0%	7145.4%	49.7%	0.0%
Dividend to equity ratio		3.7%	0.0%	19.9%	1.0%	0.0%
Income tax paid or payable ($'000s)		444	0	0	0	0
Effective tax rate	30%	36.9%	0.0%	0.0%	0.0%	0.0%
Total return to the State ($'000s)		981	0	2 015	96	0
Total return to equity ratio		6.8%	0.0%	19.9%	1.0%	0.0%
Other information						
Staff numbers FTEs		182.0	135.0	87.2	99.5	129.8
Average staff costs ($'000s)		37	53	45	49	48

Comment

Although Civil Construction Corporation has recorded some significant operating losses in the past five-year period, they have remained fairly close to the operating margin benchmark of one. In those years where significant losses were made, namely 1997-98 and 2000-01, the return on assets and return on equity results were poor.

The debt to equity ratio has had a significant increase in 2000-01 due to the lower equity value combined with an increase in hire purchase agreements taken out to fund asset purchases.

The current ratio, although still above one, has also decreased significantly over the past five-years, highlighted by the decrease in cash noted in the cash flow statement.

The debt collection result for 2000-01 is in line with previous comments made about the current debtors balance.

The high dividend payout ratio incurred in 1998-99 in due to the capital dividend provided for, which amounted to $2.000m. As noted above, this amounted to almost 20% of total equity. This payout is the only significant return made to the government over the past five-years, as the continued loss situation has meant that no income tax equivalents have been payable.

OVERALL COMMENT

The audit of the accounts for the 2000-01 year was completed with satisfactory results. Some minor issues were noted for the Corporation's attention, but they did not have a significant impact on the organisation's operations.

3.2.2 PORT ARTHUR HISTORIC SITE MANAGEMENT AUTHORITY

INTRODUCTION

The Authority is constituted under the *Port Arthur Historic Site Management Authority Act 1987*. The Authority is responsible for the management of the historic site including its preservation and maintenance as an example of a major British convict settlement and penal institution.

The Authority consists of 6 members as at 30 June 2001.

The Responsible Minister is the Minister for State Development.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The 2000-01 financial statements of the Authority were signed on 5 October 2001 and an unqualified audit report was issued on the same date.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	4 750	4 583	5 173	5 974	6 210
Non-operating revenue	2 700	5 624	4 173	2 421	1 010
Total Revenue	**7 450**	**10 207**	**9 346**	**8 395**	**7 220**
Depreciation	188	236	315	485	517
Other operating expenses	6 098	6 374	5 846	6 629	8 195
Non-operating expenses	332	950	158	0	9
Total Expenses	**6 618**	**7 560**	**6 319**	**7 114**	**8 721**
Result from ordinary activities	**832**	**2 647**	**3 027**	**1 281**	**(1501)**
Income tax expense	0	0	0	0	0
Result after taxation	**832**	**2 647**	**3 027**	**1 281**	**(1501)**

Comment

Operating revenue has shown strong growth over the last two years and reflects increasing visitor numbers. Non-operating revenue in 1996-97 includes a Commonwealth Grant of $2.5m, and sponsorship of $200 000. Non-operating revenue in 1997-98 included conservation and deficit funding of $4.1m, and asset take-up of $1.5m. Non-operating expenses in 1997-98 included a workers compensation excess of $835 000.

Non-operating revenue in 1998-99 included deficit funding of $3.7m and a write-back of the superannuation liability of $450 000. 1999-00 non-operating revenue included conservation funding of $2.1m and a further superannuation write-back of $265 000. Non-operating revenue in 2000-01 included conservation funding of $862 000.

Operating expenses in 2000-01 included additional expenditure on conservation works of $1.25m plus a transfer of $322 000 work-in-progress from the prior year.

The Authority, while classed as a Government Business Enterprise, is exempt from income tax.

The operating result for 2000-01 reflects decreased conservation funding and increased expenditure on conservation works.

FINANCIAL POSITION

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	673	1 581	1 489	2 635	2 214
Receivables	135	100	185	91	76
Inventories	250	170	229	180	248
Other	4	50	60	93	117
Total Current Assets	**1 062**	**1 901**	**1 963**	**2 999**	**2 655**
Property, plant & equipment	4 312	6 726	9 416	9 575	9 022
Total Non-Current Assets	**4 312**	**6 726**	**9 416**	**9 575**	**9 022**
Payables	124	150	257	245	136
Provisions	440	458	563	591	933
Other	400	572	146	217	473
Total Current Liabilities	**964**	**1 180**	**966**	**1 053**	**1 542**
Provisions	1 207	1 619	1 549	1 376	1 491
Other	14	0	0	0	0
Total Non-Current Liabilities	**1 221**	**1 619**	**1 549**	**1 376**	**1 491**
Net Assets	**3 189**	**5 828**	**8 864**	**10 145**	**8 644**
Retained profits	3 190	5 838	8 864	10 145	8 644
Total Equity	**3 190**	**5 838**	**8 864**	**10 145**	**8 644**

Comment

In 1997-98 the authority brought to account $2.6m in infrastructure assets valued for the first time. In 1998-99 land and buildings totalling $2.5m were brought to account on completion of the visitors centre. The reduction in 2000-01 is a result of depreciation charges for the year.

The equity reduction in 2000-01 is as a result of the $1.5m deficit on ordinary activities for the year.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	7 485	8 083	8 839	7 995	7 679
Payments to suppliers and employees	(5 292)	(5 970)	(5 774)	(6 326)	(8 022)
Interest received	131	28	67	84	163
Cash from operations	**2 324**	**2 141**	**3 132**	**1 753**	**(180)**
Payments for P, P & Equipment	(2 221)	(1 260)	(3 250)	(647)	(242)
Proceeds from sale of P, P & E	21	27	27	39	1
Cash used in investing activities	**(2 200)**	**(1 233)**	**(3 223)**	**(608)**	**(241)**
Net increase in cash	**124**	**908**	**(91)**	**1 145**	**(421)**
Cash at the beginning of the period	549	673	1 581	1 490	2 635
Cash at end of the period	**673**	**1 581**	**1 490**	**2 635**	**2 214**

Comment

The present strong cash position is a result of cash surpluses generated in 1997-98 and in 1999-00.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(1 536)	(2 027)	(988)	(1 140)	(2 502)
EBIT ($'000s)		832	2 647	3 027	1 281	(1 501)
Operating margin	>1.0	0.76	0.69	0.84	0.84	0.71
Return on assets		18.2%	37.8%	30.5%	10.7%	-12.4%
Return on equity		30.0%	58.6%	41.2%	13.5%	-16.0%
Financial Management						
Debt to equity		-	-	-	-	-
Debt to total assets		-	-	-	-	-
Interest cover	>3	-	-	-	-	-
Current ratio	>1	1.10	1.61	2.03	2.85	1.72
Cost of debt	7.5%	-	-	-	-	-
Debt collection	30 days	19	14	21	10	8
Creditor turnover	30 days	15	19	25	25	14
Returns to Government						
Dividends paid ($'000s)		0	0	0	0	0
Dividend payout ratio	50%	-	-	-	-	-
Dividend to equity ratio		-	-	-	-	-
Income tax expense ($'000s)		0	0	0	0	0
Effective tax rate	30%	-	-	-	-	-
Total return to the State ($'000s)		0	0	0	0	0
Total return to equity ratio		-	-	-	-	-
Other information						
Staff numbers FTEs		68	72	87	74	82
Average staff costs ($'000s)		43	46	34	46	47

Comment

While the result from operating activities is a negative $8.0m for the five-year period, earnings before interest and taxation are a positive $6.3m and is a result of approximately $12.3m of Commonwealth and State government funding for the new visitors centre, deficit funding and conservation works.

The authority is exempt from the payment of taxation and dividends.

OVERALL COMMENT

The Authority operates two distinct activities, firstly to conserve the fabric of the historic site for posterity, and secondly to operate the site as a tourist destination. It is unlikely that the site will ever generate sufficient income from tourism to support the required level of conservation works to maintain the site. The Authority will, therefore require continued government support to guarantee the long-term future of the site.

GBE status may not be consistent with the primary objectives of the Authority to ensure the preservation and maintenance of the historic site, to co-ordinate archaeological activities and to promote an understanding of the historical and archaeological importance of the historic site.

3.2.3 RIVERS AND WATER SUPPLY COMMISSION

INTRODUCTION

The Rivers and Water Supply Commission operates under the *Rivers and Water Supply Commission Act 1999*. The Commission comprises four members appointed by the Governor.

The Commission administers the following nine schemes:

- Cressy-Longford Irrigation Scheme;
- Furneaux Drainage Scheme;
- Lobster Rivulet River Improvement Scheme;
- Montagu River Improvement Scheme;
- Prosser River Water Supply Scheme;
- South East Irrigation Scheme;
- Togari Water Supply Scheme;
- Welcome River Drainage Scheme; and
- Winnaleah Irrigation Scheme.

In addition the Commission administers the Meander Valley Irrigation Scheme, which has not yet been proclaimed. This scheme does not undertake trading operations, but the financial transactions are included in those of the Commission.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed statements were received on 9 November 2001 and an unqualified audit report was issued on 9 November 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	1 154	1 166	1 355	1 522	2 124
Non-operating revenue	0	0	0	231	0
Total Revenue	**1 154**	**1 166**	**1 355**	**1 753**	**2 124**
Borrowing costs	2 453	1 575	1 500	1 382	1 195
Depreciation	725	512	539	541	545
Other operating expenses	911	1 064	1 076	1 400	1 320
Non-operating expenses	1 408	0	0	0	0
Total Expenses	**5 496**	**3 150**	**3 115**	**3 323**	**3 060**
Result from ordinary activities	**(4 342)**	**(1 984)**	**(1 760)**	**(1 569)**	**(936)**
Income tax expense	0	(186)	(221)	19	0
Result after taxation	**(4 342)**	**(1 798)**	**(1 539)**	**(1 588)**	**(936)**

Comment

Operating revenue increased in 1999-00 for three reasons:

- The Cressy Longford Scheme collected an Asset Renewal Levy, $19 868;
- The Commission sold trees from a plantation, $43 474; and
- Insurance claims, $97 139.

Operating revenue increased again in 2000-01 due to higher consumption of water because of the drought and sale of trees, offset by no Government subsidy being received.

Other operating expenses increased in 1999-00 because of major pump repairs and maintenance work for the South-East Irrigation Scheme and increased use of consultants.

Borrowing costs are proportional to the total borrowings.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	76	132	141	648	217
Receivables	463	519	428	518	812
Investments	668	943	1 043	793	703
Total Current Assets	**1 207**	**1 594**	**1 611**	**1 959**	**1 731**
Property, plant & equipment	35 216	36 760	36 250	35 768	35 803
Other	0	696	575	578	675
Total Non-Current Assets	**35 216**	**37 456**	**36 826**	**36 346**	**36 478**
Payables	146	144	128	327	176
Borrowings	2 456	1 200	300	2 866	1 790
Provisions	107	314	336	348	336
Total Current Liabilities	**2 709**	**1 657**	**764**	**3 541**	**2 302**
Borrowings	18 904	18 795	18 127	13 993	13 284
Provisions	353	603	316	369	407
Total Non-Current Liabilities	**19 257**	**19 398**	**18 442**	**14 362**	**13 691**
Net Assets	**14 456**	**17 994**	**19 231**	**20 402**	**22 216**
Reserves	15 591	17 901	17 901	17 861	17 725
Accumulated Funds	(1 134)	93	1 330	2 541	4 491
Total Equity	**14 456**	**17 994**	**19 231**	**20 402**	**22 216**

Comment

Cash increased in 1999-00 due to extra funds being received from the sale of trees from a plantation and transfer of funds from Investments.

The total Borrowings decreased due to loan repayments and no new borrowings being made.

Equity has been increasing due to the treatment of the annual Government contribution as equity rather than as revenue.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	1 346	1 066	1 397	1 605	1 268
Payments to suppliers and employees	(896)	(938)	(1 015)	(1 145)	(1 445)
Interest received	67	44	51	49	41
Borrowing costs	(2 938)	(1 576)	(1 500)	(1 382)	(1 195)
Taxation expense	0	(11)	0	(19)	0
Cash from operations	**(2 421)**	**(1 416)**	**(1 067)**	**(892)**	**(1 330)**
Payments for P, P & Equipment	(7)	(129)	(47)	(122)	(961)
Proceeds from sale of P, P & E	124	375	15	51	658
Cash used in investing activities	**116**	**246**	**(32)**	**(71)**	**(303)**
Capital contribution from Government	2 784	2 866	2 776	2 799	2 886
Proceeds from borrowings	21 109	2 366	1 000	200	2 866
Repayment of borrowings	(19 692)	(3 731)	(2 568)	(1 768)	(4 651)
Other	(2 170)	0	0	0	0
Cash from financing activities	**2 032**	**1 501**	**1 208**	**1 231**	**1 101**
Net increase in cash	**(273)**	**331**	**109**	**268**	**(532)**
Cash at the beginning of the period	1 017	744	1 074	1 183	1 451
Cash at end of the period	**744**	**1 074**	**1 183**	**1 451**	**919**

Comment

Cash flows are sufficient to fund operating expenses, the purchase of property, plant and equipment, interest on debt and repayment of borrowings whilst the capital contribution from Government continues.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(2934)	(1984)	(1760)	(1800)	(936)
EBIT ($'000s)		(1889)	(409)	(261)	(188)	259
Operating margin	>1.0	0.28	0.37	0.43	0.46	0.69
Return on assets		-11.9%	-5.3%	-4.6%	-4.1%	-2.5%
Return on equity		-30.0%	-10.0%	-8.0%	-7.8%	-4.2%
Financial Management						
Debt to equity		147.8%	111.1%	95.8%	82.6%	67.9%
Debt to total assets		58.6%	51.2%	47.9%	44.0%	39.5%
Interest cover	>3	- 0.8	- 0.3	- 0.2	- 0.1	0.2
Current ratio	>1	0.45	0.96	2.11	0.55	0.75
Cost of debt	7.5%	11.5%	7.9%	8.1%	8.2%	7.9%
Debt collection	30 days	55	74	45	72	100
Creditor turnover	30 days	3	29	32	31	57
Other information						
Staff numbers FTEs		5	5	5	6	7
Average staff costs ($'000s)		N/a	N/a	N/a	N/a	54.62

Comment

The financial performance indicators show a general improvement over the reported years. Conversely, the debt collection indicators for 2000-01 reflect the difficulties experienced in that year as a result of the drought conditions.

Average staff costs were not available for the years 1996-2000.

OVERALL COMMENT

The Commission treats its annual appropriation from the Government as a Capital Contribution to Equity rather than revenue, on the basis that such funding is made for the purpose of meeting capital costs of borrowing undertaken to fund the construction of the Commission’s irrigation schemes and its designation by the Department of Treasury and Finance. In 2000-01 the contribution was $2.886m.

3.2.4 SOUTHERN REGIONAL CEMETERY TRUST

INTRODUCTION

The Southern Regional Cemetery Trust (the Trust) was established under the *Southern Regional Cemetery Trust Act 1981*.

The Trust is responsible for the control and management of cemeteries and crematoria vested in or acquired by it for the burial or cremation of persons who were former residents of the southern area of the State, and ensuring that adequate cemeteries and crematoria are available to meet future requirements.

The Trust comprises six members appointed by the Governor.

It was the Government's intention to hand over control of the Trust to Local Government Authorities after 30 June 2001, however this did not occur and the situation is being reconsidered.

AUDIT OF THE 2000-01 FINANCIAL STATEMENTS

Financial statements were received on 7 September 2001 and an unqualified report was issued on 9 November 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	1 787	1 536	1 428	1 683	1 764
Total Revenue	**1 787**	**1 536**	**1 428**	**1 683**	**1 764**
Depreciation	155	169	183	185	343
Other operating expenses	995	1 295	1 535	1249	1 461
Total Expenses	**1 150**	**1 464**	**1 718**	**1 434**	**1 804**
Result from ordinary activities	**637**	**72**	**(290)**	**249**	**(40)**
Income tax expense	0	48	(62)	89	5
Result after taxation	**637**	**24**	**(228)**	**160**	**(45)**

Comment

The increase in Operating revenue in 1999-00 was mainly due to an increase in the sale of gravesites at Cornelian Bay, an increase in burial fees and increased sale of plaques through marketing, all partially offset by the opening of another crematorium on the Eastern Shore. A further increase was experienced in 2000-01 with the development of above ground crypts.

Depreciation increased in 2000-01 mainly due to the crypt development.

Other operating expenses increased significantly in 1997-98 as a result of a new Employee Enterprise Agreement and major repairs undertaken to the Crematorium and at Kingston. The increase in 1998-99 was largely due to a deficit in the provision for superannuation identified by the actuary. The increase in 2000-01 was because of the development of new crypts, production of plaques taken over from funeral directors, maintenance and a large payout of superannuation and leave entitlements for an employee.

The Trust became liable for Income Tax Equivalents from 1997-98.

FINANCIAL POSITION

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	43	52	13	93	36
Receivables	290	226	263	261	463
Investments	2 434	2 453	2 519	2 800	2 420
Other	4	4	55	3	3
Total Current Assets	**2 771**	**2 735**	**2 850**	**3 157**	**2 922**
Property, plant & equipment	5 052	5 560	5 431	5 398	5 379
Total Non-Current Assets	**5 052**	**5 560**	**5 431**	**5 398**	**5 379**
Payables	50	91	53	103	70
Provisions	89	84	91	174	189
Other	34	32	21	0	70
Total Current Liabilities	**173**	**207**	**165**	**277**	**329**
Provisions	722	757	1 025	1 107	1 097
Total Non-Current Liabilities	**722**	**757**	**1 025**	**1 107**	**1 097**
Net Assets	**6 928**	**7 331**	**7 091**	**7 171**	**6 875**
Capital	1 252	1 252	1 252	1 252	1 002
Reserves	5 654	6 011	6 012	6 012	6 012
Retained profits	20	67	(173)	(93)	(138)
Total Equity	**6 926**	**7 330**	**7 091**	**7 171**	**6 876**

Comment

Receivables were higher than normal at the end of 2000-01 mainly due to one funeral director falling behind with payments.

Investments were higher in 1999-00 as a result of increased funds being available for investment from higher revenue and lower costs.

The increase in the non-current Provision from 1998-99 was due to an actuarial reassessment of the superannuation liability of the Trust.

Capital decreased in 2000-01 as the Trust was required to return the $250 000 capital contribution originally made by the State Government.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	1 602	1 463	1 302	1 547	1490
Payments to suppliers and employees	(856)	(1 266)	(1 280)	(1 172)	(1 441)
Interest received	138	123	118	136	169
Cash from operations	**884**	**342**	**140**	**511**	**218**
Proceeds from investments	0	0	50	0	380
Payments for investments	(500)	(150)	0	(400)	0
Payments for P, P & Equipment	(355)	(340)	(126)	(166)	(342)
Proceeds from sale of P, P & E	42	26	26	16	17
Cash used in investing activities	**(813)**	**(464)**	**(50)**	**(550)**	**55**
Repayment of borrowings	0	0	0	0	(250)
Dividends paid	0	0	(12)	0	(80)
Cash from financing activities	**0**	**0**	**(12)**	**0**	**(330)**
Net increase in cash	**71**	**(122)**	**78**	**(39)**	**(57)**
Cash at the beginning of the period	106	176	54	132	93
Cash at end of the period	**177**	**54**	**132**	**93**	**36**

Comment

Movements in the cash position over the five-year period generally reflect the movements in the Statements of Financial Performance and the Cash Balances in the Statements of Financial Position.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		637	72	(290)	249	(40)
EBIT ($'000s)		637	24	(228)	160	(45)
Operating margin	>1.0	1.55	1.05	0.83	1.17	0.98
Return on assets		8.1%	0.3%	-2.8%	1.9%	-0.5%
Return on equity		9.2%	0.3%	-3.2%	2.2%	-0.7%
Financial Management						
Debt to equity		4.2%	3.1%	3.7%	3.6%	6.7%
Debt to total assets		3.7%	2.7%	3.2%	3.1%	5.6%
Current ratio	>1	16.02	13.21	17.27	11.40	8.88
Debt collection	30 days	65	59	72	63	108
Creditor turnover	30 days	0	27	15	33	37
Returns to Government						
Dividends paid or payable ($'000s)		0	12	0	80	0
Dividend payout ratio	50%	-	50.0%	-	50.0%	-
Dividend to equity ratio		-	0.2%	-	1.1%	-
Income tax paid or payable ($'000s)		0	48	(62)	89	5
Effective tax rate	30%	-	66.7%	21.4%	35.7%	-12.5%
Total return to the State ($'000s)		0	48	(50)	169	5
Total return to equity ratio		-	0.7%	-0.7%	2.4%	0.1%
Other information						
Staff numbers FTEs		14	15	17	16	16
Average staff costs ($'000s)		32	34	36	42	44

Comment

Results from operations and EBIT were significantly lower in 1998-99 and 2000-01. These can be attributed to a major repair on the crematorium in 1998-99 and crypt development cost and a decrease in crematorium sales for 2000-01.

Variances in return on assets between years can be attributed to the large fluctuations in results from ordinary activities between these years. This has a similar effect on the return on equity.

Current ratio reduced in 2000-01 mainly due to the increase in the Provision for superannuation.

Debt collection in 2000-01 increased to 108 days mainly due to a funeral director being behind in payment.

Income tax was paid in 2000-01 even though a loss was made on ordinary activities. Non-allowable items added back resulted in tax of $4 951 being payable. This also explains the negative effective tax rate of –12.5%.

The Return to the State in 1999-00 is significantly higher due to a dividend payable of $80 088 and income tax paid of $88 558. This in turn affected the total return to equity ratio for the same year.

OVERALL COMMENT

The Trust's assets mainly consist of the two properties and associated buildings and equipment and approximately $2.4 million of investments. The Trust has no borrowings. It generally experiences only small profits and occasionally losses. Otherwise its financial position is satisfactory. Several recent initiatives have increased revenue.

3.3 GOVERNMENT BUSINESS ENTERPRISES - SMALL

BACKGROUND

For background commentary see Part 3.1 of this report.

This part of the report deals with the activities of the following small sized GBEs:

- Egg Marketing Board;
- Printing Authority of Tasmania;
- Stanley Cool Stores Board;
- Tasmanian Grain Elevators Board;
- Tasmanian International Velodrome Management Authority; and
- The Public Trustee.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	Egg Marketing Board	Tasmanian Grain Elevators Board	Printing Authority of Tasmania	The Public Trustee	Stanley Cool Stores Board	Tasmanian Intervational Veledrome Management Authority
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	399	7 796	8 747	3 885	594	277
Non-operating revenue	0	8	0	17	0	270
Total Revenue	**399**	**7 804**	**8 747**	**3 902**	**594**	**547**
Depreciation	0	172	444	92	44	42
Other Operating Expenses	675	7 409	8 077	3 566	328	580
Total Expenses	**675**	**7 581**	**8 521**	**3 658**	**372**	**622**
Result from ordinary activities	**(276)**	**223**	**226**	**244**	**222**	**(75)**
Income tax expense	0	(83)	0	0	(98)	0
Result after taxation	**(276)**	**140**	**226**	**244**	**124**	**(75)**

Of the six GBEs included in the table above, two had a negative result in the 2000-01 financial year for the following reasons:

- For the Egg Marketing Board, the deficit in 2000-01 was due to the reduced number of months of trading as a result of the cessation of commercial operations; and
- The Tasmanian International Velodrome Management Authority's recorded loss is consistent with recent years as the Authority continues to operate despite reduced revenues from decreased usage of the Silverdome.

FINANCIAL POSITION

	Egg Marketing Board	Tasmanian Grain Elevators Board	Printing Authority of Tasmania	The Public Trustee	Stanley Cool Stores Board	Tasmanian Intervational Veledrome Management Authority
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	21	433	607	1	138	65
Receivables	246	1 079	703	256	7	8
Investments	97	397	1 019	2 350	534	0
Inventories	0	1 184	480	27	11	0
Other	0	71	28	0	1	18
Total Current Assets	**364**	**3 164**	**2 837**	**2 634**	**691**	**91**
Property, plant & equipment	3	2 032	1 384	3 327	828	227
Total Non-Current Assets	**3**	**2 032**	**1 384**	**3 327**	**828**	**227**
Payables	6	529	1 026	343	42	28
Borrowings	300	0	0	0	0	0
Provisions	0	259	838	937	85	64
Other	0	0	506	0	44	57
Total Current Liabilities	**306**	**788**	**2 370**	**1 280**	**171**	**149**
Provisions	0	1 270	51	3 616	0	0
Total Non-Current Liabilities	**0**	**1 270**	**51**	**3 616**	**0**	**0**
Net Assets	**61**	**3 138**	**1 800**	**1 065**	**1 348**	**169**
Reserves	0	2 660	508	0	1 408	615
Retained profits	61	478	1 292	1 065	(60)	(446)
Total Equity	**61**	**3 138**	**1 800**	**1 065**	**1 348**	**169**

Comment

The Statement of Financial Position for the Egg Marketing Board shows reduced balances as the entity ceased commercial operations on 30 April 2001.

The Public Trustee has a significant balance in non-current provisions due to a large balance for deferred income tax liability.

The Tasmanian International Velodrome Management Authority's low equity balance of $0.169m is a result of continued losses being recorded over the past three years.

CASH POSITION

	Egg Marketing Board	Tasmanian Grain Elevators Board	Printing Authority of Tasmania	The Public Trustee	Stanley Cool Stores Board	Tasmanian Intervational Veledrome Management Authority
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	733	8 829	9 414	3 662	659	662
Payments to suppliers and emloyees	(1 001)	(8 531)	(8 618)	(3 310)	(370)	(627)
Interest received	2	106	83	0	34	5
Taxation expense	0	(102)	0	0	(86)	0
Cash from operations	**(266)**	**302**	**879**	**352**	**237**	**40**
Proceeds from investments	0	0	0	(300)	0	0
Payments for investments	(239)	0	(450)	(51)	(177)	0
Payments for P, P & Equipment	0	(215)	(203)	57	0	(41)
Proceeds from sale of P, P & E	293	8	0	0	0	7
Cash used in investing activities	**54**	**(207)**	**(653)**	**(294)**	**(177)**	**(34)**
Proceeds from borrowings	300	0	0	0	0	0
Dividends paid	0	(76)	(125)	0	(81)	0
Cash from financing activities	**300**	**(76)**	**(125)**	**0**	**(81)**	**0**
Net increase in cash	**88**	**19**	**101**	**58**	**(21)**	**6**
Cash at the beginning of the period	30	812	506	193	159	59
Cash at end of the period	**118**	**831**	**607**	**251**	**138**	**65**

Comment

All of the entities above recorded a net increase in cash during the financial year, with the exception of Stanley Cool Stores Board, which recorded a small decrement of $21,000.

Although it appears that the Public Trustee has recorded a negative proceeds from investments, this is due to this line item merely recording the net decrement of their investment in the Common Fund.

FINANCIAL ANALYSIS

	Bench Mark	Egg Marketing Board	Tasmanian Grain Elevators Board	Printing Authority of Tasmania	The Public Trustee	Stanley Cool Stores Board	Tasmanian International Veledrome Management Authority
Financial Performance							
Result from ordinary activities ($'000s)		(276)	215	226	227	222	(345)
EBIT ($'000s)		(276)	223	226	244	222	(75)
Operating margin	>1.0	0.76	1.03	1.3%	1.06	1.60	0.45
Return on assets		-60.0%	4.5%	6.9%	3.9%	15.2%	-23.0%
Return on equity		-452.0%	4.5%	15.17%	25.2%	9.3%	-36.3%
Financial Management							
Debt to equity		402.0%	-	-	-	-	-
Debt to total assets		66.9%	-	-	-	-	-
Current ratio	>1	1	4.02	1.20	2.06	4.04	0.52
Cost of debt	7.5%	-	-	-	-	-	-
Debt collection	30 days	224	51	30	24	5	11
Creditor turnover	30 days	3	20	36	35	43	11
Returns to Government							
Dividends paid ($'000s)		0	58	113	122	81	0
Dividend payout ratio	50%	-	41.4%	50.0%	50.0%	65.3%	-
Dividend to equity ratio		-	1.9%	6.3%	12.6%	6.1%	-
Income tax expense ($'000s)		0	107	0	0	99	0
Effective tax rate	30%	-	48.0%	-	-	45.0%	-
Total return to the State ($'000s)		0	165	113	122	180	0
Total return to equity ratio		-	5.3%	6.3%	12.6%	13.6%	-
Other information							
Staff numbers FTE's		5	10	73	49	2	7
Average staff costs ($'000s)		n/a	44	40	39	37	38

Comment

In line with the results from the Statement of Financial Performance, only two entities recorded a loss from ordinary activities, namely the Egg Marketing Board and the Tasmanian International Velodrome Management Authority. The other four organisations obtained sound results, especially the Printing Authority of Tasmania and the Public Trustee, which had excellent returns on equity.

Consistent with these results, these same four entities also recorded positive total returns to equity ratios, due principally to the amount of dividend provided for at the end of the 2000-01 year.

OVERALL COMMENT

Performance has been mixed for these small GBEs, with four entities obtaining good results. The Egg Marketing Boards results are influenced by the fact that it has ceased trading, while only the Tasmanian International Velodrome Authority is struggling to maintain revenues, and is heavily reliant on deficit funding from the State Government.

3.3.1 EGG MARKETING BOARD

INTRODUCTION

The Egg Marketing Board was established under the *Marketing of Primary Products Act 1945*. This Act and subsequent legislation were repealed and consolidated into the *Egg Industry Act 1988*. The Board is governed as a business entity under the *Government Business Enterprises Act 1995*.

The Board had the role of ensuring that producers have an adequate supply of eggs to meet demand all year round. Major functions associated with this objective included egg production control through a hen quota scheme, receipts of surplus eggs for processing into egg products for sale to the bakery/catering market, obtaining eggs for producers in short supply, product promotion and quality assurance.

The Board ceased commercial operations on 30 April 2001. Pure Foods Eggs Pty Ltd entered into a purchase arrangement from 1 May 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 Eggs Pty Ltd for $265 000. Staff received voluntary separation packages on 30 April 2001.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements were received on 31 August 2001 and an unqualified audit report was issued on 13 September 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	352	338	328	246	211
Non-operating revenue	11	10	5	7	188
Total Revenue	**363**	**348**	**333**	**254**	**399**
Depreciation	20	22	25	24	0
Other operating expenses	341	322	328	309	675
Total Expenses	**361**	**344**	**353**	**333**	**675**
Result from ordinary activities	**2**	**4**	**(19)**	**(79)**	**(276)**
Income tax expense	0	(1)	(6)	(25)	0
Result after taxation	**2**	**4**	**(13)**	**(54)**	**(276)**

Comment

The decline in Operating revenue in 1997-98 was due to a decline in the number of hens. The decline in Operating revenue in 1999-00 was due to an increase in the amount of seconds eggs purchased from producers in line with the Board's obligation to purchase these products when necessary. The decline in 2000-01 was due to the reduced number of months of trading as a result of the cessation of commercial operations.

Non-operating revenue in 2000-01 included the profit on sale of its assets to Pure Foods Eggs Pty Ltd.

FINANCIAL POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Cash	149	33	64	30	21
Receivables	77	101	61	143	246
Investments	0	120	100	0	97
Inventories	75	70	74	66	0
Other	1	0	0	0	0
Total Current Assets	**301**	**324**	**299**	**239**	**363**
Property, plant & equipment	149	150	142	137	3
Other	0	28	32	85	0
Total Non-Current Assets	**149**	**178**	**173**	**221**	**3**
Payables	12	8	8	11	6
Borrowings	0	0	0	0	300
Provisions	49	78	65	75	0
Total Current Liabilities	**61**	**86**	**73**	**86**	**306**
Provisions	0	0	8	37	0
Total Non-Current Liabilities	**0**	**0**	**8**	**37**	**0**
Net Assets	**389**	**416**	**392**	**337**	**61**
Reserves	30	30	30	30	0
Retained profits	359	375	361	307	61
Total Equity	**389**	**405**	**392**	**337**	**61**

Comment

The decrease in Receivables in 1998-99 was due principally to the timing of egg product sales. The increase in 1999-00 was partly due to an increase in Exemption fee debts for some major producers. Receivables for 2000-01 include $238 500 payable by Pure Foods Eggs Pty Ltd under the contract of sale.

Cash and Investments decreased in 1999-00 mainly due to the loss sustained in the prior year.

Borrowings of $300 000 in 2000-01 represents a temporary loan from the Department of Primary Industries, Water and Environment, and repaid on 31 October 2001, to allow the Egg Marketing Board to meet its financial commitments pending the receipt of proceeds from the sale of its assets.

Provisions increased in 1999-00 due to an increase in the Provision for deferred income tax and a reduction in leave taken during that year.

CASH POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receipts from customers	880	753	755	642	733
Payments to suppliers and employees	(845)	(736)	(735)	(764)	(1 001)
Interest received	6	6	6	4	2
Cash from operations	**40**	**22**	**27**	**(117)**	**(266)**
Proceeds from investments	256	0	0	0	0
Payments for investments	184	0	0	0	(239)
Payments for P, P & Equipment	(48)	(38)	(34)	(29)	0
Proceeds from sale of P, P & E	23	20	19	12	293
Cash used in investing activities	**414**	**(18)**	**(16)**	**(17)**	**54**
Proceeds from borrowings	0	0	0	0	300
Cash from financing activities	**0**	**0**	**0**	**0**	**300**
Net increase in cash	**455**	**4**	**11**	**(135)**	**88**
Cash at the beginning of the period	62	149	153	164	30
Cash at end of the period	**517**	**153**	**164**	**30**	**118**

Comment

Payments to suppliers and employees were higher than normal in 2000-01 due to staff redundancy payments.

Payments for Investments in 2000-01 represents the balance of the purchase price of the commercial operations repaid on 31 October 2001. Proceeds from the sale of Property, plant & equipment reflects the sale of the commercial operations.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(8)	(6)	(24)	(86)	(276)
EBIT ($'000s)		2	4	(19)	(79)	(276)
Operating margin	>1.0	1.01	1.01	0.94	0.76	0.76
Return on assets		0.5%	0.7%	-4.1%	-17.2%	-60.0%
Return on equity		0.5%	1.0%	-3.4%	-16.1%	-452.0%
Financial Management						
Debt to equity		19.7%	24.9%	15.6%	42.4%	402.0%
Debt to total assets		17.0%	20.1%	12.9%	31.1%	66.9%
Current ratio	>1	4.94	3.78	4.11	2.77	1.19
Cost of debt	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt collection	30 days	79	109	68	212	224
Creditor turnover	30 days	13	9	9	13	3
Returns to Government						
Income tax paid or payable ($'000s)		0	1	6	25	0
Effective tax rate	30%	0.0%	14.2%	-31.2%	-31.1%	0.0%
Total return to the State ($'000s)		0	1	6	25	0
Total return to equity ratio		0.5%	1.0%	-3.4%	-16.1%	-452.0%
Other information						
Staff numbers FTEs		5	5	5	5	5
Average staff costs ($'000s)		31	30	38	51	N/A

Comment

The performance indicators for the five-years generally reflect a declining financial performance.

Due to the sale of the commercial operations, most of the indicators for 2000-01 are no longer relevant.

OVERALL COMMENT

Although commercial operations have terminated the Board still exists as a statutory authority. Amendments to the *Egg Industry Act 1988* are being drafted that will remove the Board from the *Government Business Enterprises Act 1995*, amend the Board's vesting powers and its requirement to receive eggs, and amend licencing so that hen quota and quality can be funded other than through the Exemption Agreement.

3.3.2 PRINTING AUTHORITY OF TASMANIA

INTRODUCTION

The Printing Authority of Tasmania (PAT) was established under the *Printing Authority of Tasmania Act 1994*.

The Authority's mission is to provide a fail-safe printing service to the Tasmanian Government for the printing of legislation, reports and other printed materials. In addition, the PAT competes with the private sector for printing services to the public sector departments and other authorities. The PAT is also permitted to do printing for prescribed bodies, which include:

- Any body corporate which receives funding from the Tasmanian Government or the Australian Government;
- Any person or body that carries on a business or resides in a place other than Tasmania; and
- Work that any businesses are unable to carry out effectively.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of the Authority were received on 31 August 2001 and an unqualified audit report was issued on 13 September 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	6 605	7 290	7 758	7 968	8 747
Non-operating revenue	232	0	0	0	0
Total Revenue	**6 837**	**7 290**	**7 758**	**7 968**	**8 747**
Borrowing costs	26	10	0	0	0
Depreciation	280	218	250	302	444
Other operating expenses	6 670	6 999	7 453	7 415	8 077
Total Expenses	**6 976**	**7 227**	**7 703**	**7 717**	**8 521**
Result from ordinary activities	**(139)**	**63**	**55**	**251**	**226**
Income tax expense	0	0	0	0	0
Result after taxation	**(139)**	**63**	**55**	**251**	**226**

Comment

The last year in which the Authority received a financial contribution towards the operating deficit was the 1995-96 financial year. The purpose of this government contribution was to cover the fixed costs of Parliamentary printing. Before this, the Authority received this financial contribution as a Community Service Obligation. These financial contributions were treated as revenue and not a subsidy.

The last loss by the Authority was made in 1996-97. Since then modest profits were made in 1997-98 and 1998-99, and better returns in 1999-00 and 2000-01.

Depreciation expense increased in 2000-01 as a result of a total revaluation of the Authority's plant and equipment and resultant accelerated depreciation for some manufacturing plant items.

The Authority has significant accumulated tax losses and is unlikely to pay income tax for several years.

FINANCIAL POSITION

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	337	606	230	506	607
Receivables	316	487	605	603	703
Investments	500	178	395	569	1 019
Inventories	437	503	451	492	480
Other	33	5	41	28	28
Total Current Assets	**1 623**	**1 779**	**1 722**	**2 198**	**2 837**
Property, plant & equipment	1 524	1 445	1 220	1 117	1 384
Total Non-Current Assets	**1 524**	**1 445**	**1 220**	**1 117**	**1 384**
Payables	789	985	717	866	1 026
Provisions	660	622	587	793	838
Other	320	479	447	400	506
Total Current Liabilities	**1 769**	**2 086**	**1 751**	**2 059**	**2 370**
Borrowings	315	0	0	0	0
Provisions	128	140	138	77	51
Total Non-Current Liabilities	**443**	**140**	**138**	**77**	**51**
Net Assets	**935**	**998**	**1 053**	**1 179**	**1 800**
Reserves	0	0	0	0	508
Retained profits	935	998	1 053	1 179	1 292
Total Equity	**935**	**998**	**1 053**	**1 179**	**1 800**

Comment

Increased investments reflect increases in working capital resulting from increasing profitable operations.

Plant and equipment increased in 2000-01 following a revaluation increment of $0.508m to manufacturing plant. The purchase of capital equipment has always been funded from within Printing Authority internal funds and not by government subsidy.

The Authority made repayment of $315 000 in borrowings in 1997-98 and has been debt free since that time.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	6 631	7 209	7 562	7 983	9 414
Payments to suppliers and employees	(6 574)	(6 838)	(7 732)	(7 383)	(8 618)
Interest received	64	39	36	49	83
Borrowing costs	(37)	(17)	0	0	0
Cash from operations	**84**	**393**	**(134)**	**649**	**879**
Proceeds from investments	630	322	0	0	0
Payments for investments	0	0	(217)	(174)	(450)
Payments for P, P & Equipment	(1 086)	(131)	(25)	(199)	(203)
Cash used in investing activities	**(456)**	**191**	**(242)**	**(373)**	**(653)**
Repayment of borrowings	(3)	(315)	0	0	0
Dividends paid	0	0	0	0	(125)
Cash from financing activities	**(3)**	**(315)**	**0**	**0**	**(125)**
Net increase in cash	**(375)**	**269**	**(376)**	**276**	**101**
Cash at the beginning of the period	712	337	606	230	506
Cash at end of the period	**337**	**606**	**230**	**506**	**607**

Comment

Cash from operations has been used to fund the purchase of raw materials and consumables used in printing, additional investments, and property, plant and equipment.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(91)	63	55	249	226
EBIT ($'000s)		(139)	63	55	251	226
Operating margin	>1.0	0.95	1.01	1.01	1.03	1.03
Return on assets		-4.3%	2.0%	1.8%	8.02%	6.9%
Return on equity		-13.90%	6.50%	5.36%	22.49%	15.17%
Financial Management						
Debt to equity		33.7%	0.0%	0.0%	0.0%	0.0%
Debt to total assets		10.0%	0.0%	0.0%	0.0%	0.0%
Interest cover	>3	(5)	6	na	na	na
Current ratio	>1	0.92	0.85	0.98	1.07	1.20
Cost of debt	7.5%	8.6%	7.2%	na	na	na
Debt collection	30 days	18	25	29	28	30
Creditor turnover	30 days	33	47	23	32	36
Returns to Government						
Dividends paid or payable ($'000s)		0	0	0	125	113
Dividend payout ratio	50%	-	-	-	49.8%	50.0%
Dividend to equity ratio		-	-	-	10.6%	6.3%
Income tax paid or payable ($'000s)		0	0	0	0	0
Effective tax rate	30%	-	-	-	-	-
Total return to the State ($'000s)		0	0	0	125	113
Total return to equity ratio		-	-	-	10.6%	6.3%
Other information						
Staff numbers FTEs		76	75	77	74	73
Average staff costs ($'000s)		39.3	38.3	38.2	38.6	40.3

Comment

Since the 1996-97 working capital has increased from a negative of $146 000 to a positive $467 000 in 2000-01 and reflects increasingly profitable operations over that period.

OVERALL COMMENT

In line with the present Government policy of returning 50% of after tax profit by way of a dividend, the Authority has paid dividends of $125 000 and $113 000 in respect of the 1999 -00 and the 2000-01 financial years.

As part of the corporate planning process PAT envisages achieving operating profits for each of the years 2002 to 2003.

3.3.3 STANLEY COOL STORES BOARD

INTRODUCTION

The Stanley Cool Stores Board was established under the *Stanley Cool Stores Act 1945*, with responsibility for the 'management and control of certain cool stores erected at Stanley, and for matters incidental thereto'. The Principal Act has been subsequently amended in certain areas, but its original intent has not changed. The Board trades under its own name.

The core business of the Board is to lease and/or licence the use of refrigerated cool store space in support of regional enterprise development.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of Stanley Cool Stores Board were received on 19 September 2001 and an unqualified audit report was issued on the 26 September 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	582	587	594	634	594
Non-operating revenue	0	0	2	0	0
Total Revenue	**582**	**587**	**596**	**634**	**594**
Depreciation	30	30	44	44	44
Other operating expenses	253	265	252	315	328
Total Expenses	**283**	**295**	**296**	**359**	**372**
Result from ordinary activities	**299**	**292**	**300**	**275**	**222**
Income tax expense	108	107	115	89	98
Result after taxation	**191**	**185**	**185**	**186**	**124**

Comment

Operating revenue remained relatively stable until 1999-00 when revenue increased by $40 000 from the prior year. The increase was primarily due to increased revenue earned from bin movements ($26 000) and interest receipts ($10 000). The Board commenced invoicing McCain Foods (Aust) Pty Ltd for moving bins within the cool store in June 1999. This revenue is additional to the rental received from McCain for the lease of the cool store.

Operating revenue decreased in 2000-01 due to a reduction in interest earned of $42 000. Interest revenue decreased due to the payment of a special dividend of $1m in June 2000.

Depreciation expense increased from $30 000 in 1997-98 to $44 000 in 1998-99 due to the revaluation of land and buildings on 30 June 1998. Other operating expenses increased by $63 000 from 1998-99 to 1999-00 due to additional maintenance being undertaken and an increase in the number of FTEs.

FINANCIAL POSITION

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	43	71	151	159	138
Receivables	0	0	0	3	7
Investments	1 153	1 215	1 275	356	534
Inventories	9	11	16	18	11
Other	15	12	13	1	1
Total Current Assets	**1 220**	**1 309**	**1 455**	**537**	**691**
Property, plant & equipment	319	960	916	872	828
Total Non-Current Assets	**319**	**960**	**916**	**872**	**828**
Payables	26	25	24	38	42
Provisions	102	65	76	66	85
Other	44	44	44	0	44
Total Current Liabilities	**172**	**134**	**144**	**104**	**171**
Net Assets	**1 367**	**2 135**	**2 227**	**1 305**	**1 348**
Reserves	737	1 408	1 408	1 408	1 408
Retained profits	630	727	819	(103)	(60)
Total Equity	**1 367**	**2 135**	**2 227**	**1 305**	**1 348**

Comment

The balance of investments decreased from 1998-99 to 1999-00 by $0.919m as the Board paid a special dividend of $1m to the State Government. The payment is also reflected by the decrease in retained profits from $0.819m to a negative balance of $0.103m.

The balance of property, plant and equipment increased by $0.641m in the 1997-98 year due to the revaluation of land and buildings. Likewise, the increase in the balance of reserves is attributable to the asset revaluation increment, which amounted to $0.671m.

The one-off decrease in other current liabilities in 1999-00 was due to Stanley Cool Stores major customer paying rental charges in advance after the end of the financial year, where normally these are paid earlier.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	511	524	528	510	659
Payments to suppliers and employees	(244)	(266)	(254)	(303)	(370)
Interest received	74	65	66	89	34
Taxation expense	(87)	(145)	(107)	(99)	(86)
Cash from operations	**254**	**178**	**233**	**197**	**237**
Proceeds from investments	0	0	0	919	0
Payments for investments	(169)	(62)	(61)	0	(177)
Payments for P, P & Equipment	(1)	0	0	0	0
Cash used in investing activities	**(170)**	**(62)**	**(61)**	**919**	**(177)**
Dividends paid	(83)	(88)	(92)	(1 108)	(81)
Cash from financing activities	**(83)**	**(88)**	**(92)**	**(1 108)**	**(81)**
Net increase in cash	**1**	**28**	**80**	**8**	**(21)**
Cash at the beginning of the period	42	43	71	151	159
Cash at end of the period	**43**	**71**	**151**	**159**	**138**

Comment

Receipts from customers have remained fairly constant for the four years to 30 June 2000. The marked increase in receipts from customers and payments to suppliers noted in the 2000-01 year is due to the impact of the GST.

Proceeds from investments in 1999-00 ($0.919m) were used to pay the special dividend of $1m. Total dividends paid in 1999-00 included the special dividend of $1m and an ordinary dividend of $0.108m.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		299	292	298	275	222
EBIT ($'000s)		299	292	300	275	222
Operating margin	>1.0	2.06	1.99	2.01	1.77	1.60
Return on assets		19.4%	15.3%	12.9%	14.6%	15.2%
Return on equity		14.0%	10.6%	8.5%	10.5%	9.3%
Financial Management						
Debt to equity		-	-	-	-	-
Debt to total assets		-	-	-	-	-
Interest cover	>3	-	-	-	-	-
Current ratio	>1	7.09	9.77	10.10	5.16	4.04
Cost of debt	7.5%	-	-	-	-	-
Debt collection	30 days	-	-	-	2	5
Creditor turnover	30 days	49	43	44	58	43
Returns to Government						
Dividends paid or payable ($'000s)		82	88	92	1 108	81
Dividend payout ratio	50%	42.9%	47.6%	49.7%	595.7%	65.3%
Dividend to equity ratio		6.0%	5.0%	4.2%	62.7%	6.1%
Income tax paid or payable ($'000s)		108	107	115	90	99
Effective tax rate	30%	36%	37%	38%	33%	45%
Total return to the State ($'000s)		190	195	207	1 198	180
Total return to equity ratio		13.9%	11.1%	9.5%	67.8%	13.6%
Other information						
Staff numbers FTEs		2	2	2	2	2
Average staff costs ($'000s)		36	37	36	38	37

Comment

Over the five-years of the review, returns from the operations have totalled $1.386m, or an annual return of $0.277m. The return on assets has been consistent with the lowest return recorded in 1998-99 of 12.9%.

The Board has no borrowings and therefore the debt and interest expense ratios are not applicable.

The decrease in the current ratio in 1999-00 reflects the payment of the special dividend in June 2000.

The debt collection ratio is unusually low as the rental revenue is paid monthly in advance by McCain. The receivables outstanding at 30 June 2000 and 2001 represent unpaid invoices for bin movements. The creditor turnover figure has been consistently above the benchmark of 30 days, but this is due to the payables figure including an amount owing to Aurora that covers a three-month period. The creditor turnover was especially high in 1999-00 as there was an invoice outstanding at 30 June 2000 for $17 000 relating to plumbing services.

The total return to equity ratio has been very satisfactory in all five-years, with both tax equivalents and dividend amounts being paid in each of the past 5 financial years under review. The highest ratio of 67.8% was recorded in 1999-00 as a result of the special dividend of $1.000m.

OVERALL COMMENT

The audit of the accounts for the 2000-01 year was completed with satisfactory results, with no major issues outstanding.

3.3.4 TASMANIAN GRAIN ELEVATORS BOARD

INTRODUCTION

The Tasmanian Grain Elevators Board was established under the *Grain Reserve Act 1950* and in effect, permits the Board to undertake all the activities of a grain merchant.

The core business of the Board is to provide efficient and effective grain handling facilities for the benefit of suppliers and consumers of grain and the community at large. It is the major supplier of wheat to the Tasmanian flour and stock feed milling and intensive animal industries and is also the key supplier of grain for stock feed during adverse climatic conditions.

Through an arrangement with the Australian Wheat Board (AWB) the Board stores, issues and sells wheat and collects the proceeds on the AWB's behalf. These transactions are not included in the Board's financial statements. A handling fee per tonne is paid by the AWB and is included in Operating Revenue. In addition, the Board trades in its own right and is the major trader and supplier of locally grown grain in the state.

The Responsible Minister is the Minister for Primary Industries, Water and Environment.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements of the Tasmanian Grain Elevators Board were received on 15 October 2001 and an unqualified audit report was issued on 22 October 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	979	1 758	5 169	5 799	7 796
Non-operating revenue	1 020	198	39	5	8
Total Revenue	**1 999**	**1 956**	**5 208**	**5 804**	**7 804**
Borrowing costs	0	0	0	0	0
Depreciation	183	142	184	185	172
Other operating expenses	1 136	1 679	4 987	5 348	7 409
Non-operating expenses	0	0	12	35	0
Total Expenses	**1 319**	**1 821**	**5 183**	**5 568**	**7 581**
Result from ordinary activities	**680**	**135**	**25**	**236**	**223**
Income tax expense	23	(16)	12	64	83
Result after taxation	**657**	**151**	**13**	**172**	**140**

Comment

Prior to 30 June 1999 the Board's revenue was reported net of cost of goods sold. Consequently, gross totals of both operating revenue and operating expenditure are not readily available.

Non-operating revenue in 1996-97 included $0.830m profit on the sale of Hobart premises including the silos with settlement due 1 March 1998. Following default by the purchaser the Board entered into a new contract with another developer on 15 April 1998 whereupon the original entry was reversed and an amended profit on disposal recorded. The subsequent profit on disposal, $0.989m, together with the reversal of the original entry is reflected in the 1997-98 non-operating revenue.

The increase in operating revenue in 2000-01, $1.997m, is due principally to increased grain sales by the Board $1.815m. Cost of sales included in operating expenses increased at the same time by $1.483m.

Over the 5 year period, the Tasmanian Grain Elevators Board has returned a positive result from ordinary activities totalling $1.299m.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	46	480	447	176	433
Receivables	1 626	1 147	722	1 471	1 079
Investments	643	664	943	636	397
Inventories	513	533	812	435	1 184
Other	140	80	50	56	71
Total Current Assets	**2 968**	**2 904**	**2 974**	**2 774**	**3 164**
Property, plant & equipment	1 414	1 820	1 931	1 991	2 032
Investments	0	0	0	0	0
Other	0	0	0	0	0
Total Non-Current Assets	**1 414**	**1 820**	**1 931**	**1 991**	**2 032**
Payables	51	268	569	282	529
Borrowings	0	0	0	0	0
Provisions	1 320	1 298	100	241	259
Other	0	0	0	0	0
Total Current Liabilities	**1 371**	**1 566**	**669**	**523**	**788**
Borrowings	0	0	0	0	0
Provisions	186	183	1 328	1 169	1 270
Other	0	0	0	0	0
Total Non-Current Liabilities	**186**	**183**	**1 328**	**1 169**	**1 270**
Net Assets	**2 825**	**2 975**	**2 908**	**3 073**	**3 138**
Capital	0	0	0	0	0
Reserves	1 420	2 520	2 520	2 590	2 660
Retained profits	1 405	455	388	483	478
Total Equity	**2 825**	**2 975**	**2 908**	**3 073**	**3 138**

Comment

The decrease in receivables in 2000-01 is due principally to improved collection procedures adopted by the Board coupled with a policy of charging interest on over due accounts. At the same time, the increase in the Board’s inventories at 30 June 2001 was due to an increase in supply of grain by the local producers.

CASH POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receipts from customers	3 206	3 570	5 518	4 947	8 829
Payments to suppliers and employees	(3 105)	(4 182)	(4 991)	(5 316)	(8 531)
Interest received	69	42	83	92	106
Borrowing costs	0	0	0	0	0
Taxation expense	0	0	(4)	(13)	(102)
Cash from operations	**170**	**(570)**	**606**	**(290)**	**302**
Proceeds from investments	0	0	0	0	0
Payments for investments	0	0	0	0	0
Payments for P, P & Equipment	(93)	(564)	(317)	(285)	(215)
Proceeds from sale of P, P & E	17	1 589	36	5	8
Cash used in investing activities	**(76)**	**1 025**	**(281)**	**(280)**	**(207)**
Proceeds from borrowings	0	0	0	0	0
Repayment of borrowings	0	0	0	0	0
Dividends paid	0	0	(80)	(7)	(76)
Cash from financing activities	**0**	**0**	**(80)**	**(7)**	**(76)**
Net increase in cash	**94**	**455**	**245**	**(577)**	**19**
Cash at the beginning of the period	595	689	1 144	1 389	812
Cash at end of the period	**689**	**1 144**	**1 389**	**812**	**831**

Comment

The increase in the Board’s receipts from customers is due to the increased level of grain purchases and sales referred to previously in this segment of the Report together with the impact of GST on revenue, $0.748m. Similar movements are reflected in payments to suppliers and employees.

Payments for property, plant and equipment in 1997-98 reflect the Board’s move to Brighton upon sale of the Hobart premises. Over the period of review, the Board has increased its investment in non-current assets by $1.474m as against its total depreciation charges for the same period of $0.866m.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from Operations ($'000s)		(340)	(63)	(2)	266	215
EBIT ($'000s)		680	135	25	236	223
Operating margin	>1.0	0.74	0.97	1.00	1.05	1.03
Return on assets		16.3%	3.0%	0.5%	4.9%	4.5%
Return on equity		26.3%	5.2%	0.4%	5.7%	4.5%
Financial Management						
Debt to equity		-	-	-	-	-
Debt to total assets		-	-	-	-	-
Interest cover	>3	-	-	-	-	-
Current ratio	>1	2.16	1.85	4.45	5.30	4.02
Cost of debt	7.5%	-	-	-	-	-
Debt collection	30 days	61	32	51	93	51
Creditor turnover	30 days	1	1	1	14	20
Returns to Government						
Dividends paid or payable ($'000s)		0	80	7	76	58
Dividend payout ratio	50%	-	53.0%	53.8%	44.2%	41.4%
Dividend to equity ratio		-	2.8%	0.2%	2.5%	1.9%
Income tax paid or payable ($'000s)		0	4	13	102	107
Effective tax rate	30%	-	3.0%	52.0%	43.2%	48.0%
Total return to the State ($'000s)		0	84	20	178	165
Total return to equity ratio		-	2.9%	0.7%	6.0%	5.3%
Other information						
Staff numbers FTEs		6	6	8	8	10
Average staff costs ($'000s)		73	74	62	47	44

Comment

Although the Board has returned a positive result from ordinary activities over the period totalling $1.299m, its operating result for the same period only amounts to $0.076m. The difference between the two amounts reflects the impact of the non-operating revenue and non-operating expenses for the period. Consequently, the return on assets and equity has, since 1996-97, remained low.

The debt collection ratio of 51 indicates that at 30 June 2001 the Board had the equivalent of 51 days revenue in receivables and showed a marked improvement over that of the prior year.

The low profitability results of the Board are reflected in the level of dividends paid and, although the dividends paid in recent years approximate 50% of after tax profits, in absolute terms the total dividend payable to the State for the period amounts to $221 000, or average annual returns of $44 200. The low profitability results together with the effect of timing differences resulting from differing rates of depreciation for taxation and accounting purposes also impact on the level of income tax payable in any one year. Average annual tax payable over the period amounted to $45 200.

Due to the low level of staff employed by the Board, statistics addressing average staff costs are susceptible to distortion particularly with relation to movements in the provision for retirement benefits.

OVERALL COMMENT

Low profitability of the Board has resulted in total returns to the State for the 5 year period amounting to $447 000, or average annual total returns of $89 400.

3.3.5 TASMANIAN INTERNATIONAL VELODROME MANAGEMENT AUTHORITY

INTRODUCTION

The Tasmanian International Velodrome Management Authority was established under the *Tasmanian International Velodrome Management Authority Act 1984*. The Authority trades under its own name and the registered trade name of the Silverdome.

The core business of the Authority is the management and operation of the Silverdome for sporting, entertainment, exhibition and related purposes. The Authority leases the Silverdome from the Department of Primary Industry, Water and Environment.

The Board of the Authority comprises five members appointed by the Governor.

The Responsible Minister is the Minister for State Development.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The signed financial statements of the Tasmanian International Velodrome Management Authority were received on 24 September 2001 and an unqualified audit report was issued on 2 October 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	470	599	256	300	277
Non-operating revenue	185	187	185	248	270
Total Revenue	655	786	441	548	547
Depreciation	44	84	73	58	42
Other operating expenses	543	688	501	513	580
Total Expenses	587	772	574	571	622
Result from ordinary activities	**68**	**14**	**(133)**	**(23)**	**(75)**
Income tax expense	0	12	(21)	0	0
Result after taxation	68	2	(112)	(23)	(75)

Comment

Operating revenue has declined significantly since 1997-98 and as a result the Authority has recorded losses in the past three financial years. The most notable loss, amounting to $0.133m before income tax, was incurred in 1998-99. The loss was primarily due to a decrease in revenue, particularly revenue from live entertainment. This decline was due to a lack of major concert events in 1998-99 and resulted in similar declines in other revenue sources such as merchandising, licences and recoveries.

Non-operating revenue for 1999-00 includes $63 000 relating to an adjustment to the provision for superannuation arising from the introduction of the Retirement Benefits Fund – Tasmanian Accumulation Scheme. Under the new Scheme, the Authority is only required to maintain a provision in respect of those employees who have benefits retained in the Compulsory Preservation Account.

Non-operating revenue for each of the five-years under review includes a government deficit contribution of $0.185m. In 2000-01, the Authority received additional funding from the Department of State Development (DSD) amounting to $0.090m to enable the operations of the Silverdome to continue.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	199	268	139	59	65
Receivables	13	14	17	19	8
Inventories	1	1	1	0	0
Other	27	29	8	15	18
Total Current Assets	**240**	**312**	**165**	**93**	**91**
Property, plant & equipment	266	311	269	240	227
Other	0	16	0	0	0
Total Non-Current Assets	**266**	**327**	**269**	**240**	**227**
Payables	10	76	26	9	28
Provisions	42	62	56	64	64
Other	5	17	8	16	57
Total Current Liabilities	**57**	**155**	**90**	**89**	**149**
Provisions	55	105	77	0	0
Total Non-Current Liabilities	**55**	**105**	**77**	**0**	**0**
Net Assets	**394**	**379**	**267**	**244**	**169**
Reserves	615	615	615	615	615
Retained profits	(221)	(236)	(348)	(371)	(446)
Total Equity	**394**	**379**	**267**	**244**	**169**

Comment

Since 1997-98, the cash held by the Authority has gradually declined. As a result, additional funding was required from the DSD in 2000-01 to enable the Authority to continue to operate.

At 30 June 1998, the Authority recognised a future income tax benefit of $0.016m and a deferred income tax liability of $0.037m. These balances were reversed in 1998-99 resulting in a negative income tax expense of $0.021m. The balances were reversed as the Authority did not satisfy "virtual certainty" criteria contained in Australian Accounting Standard AAS 3 *"Accounting for income Tax (Tax Effect Accounting)"*.

The payables amount of $0.076m at the end of 1997-98 was higher than in other years due to a large invoice outstanding relating to the purchase of safety lines.

The balance of non-current provisions as at 30 June 1999 ($0.077m) related to a provision for superannuation. As noted previously, the provision was adjusted downwards by $0.063m and the remaining balance included as a current liability.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	656	768	430	478	662
Payments to suppliers and employees	(551)	(588)	(536)	(537)	(627)
Interest received	12	15	9	7	5
Cash from operations	**117**	**195**	**(97)**	**(52)**	**40**
Payments for P, P & Equipment	(33)	(143)	(32)	(28)	(41)
Proceeds from sale of P, P & E	0	17	0	0	7
Cash used in investing activities	**(33)**	**(126)**	**(32)**	**(28)**	**(34)**
Net increase in cash	**84**	**69**	**(129)**	**(80)**	**6**
Cash at the beginning of the period	115	199	268	139	59
Cash at end of the period	**199**	**268**	**139**	**59**	**65**

Comment

Receipts from customers and payments to suppliers increased significantly in 2000-01 due to the impact of the GST. The net increase in cash held during 2000-01 was only $6,000. However, if the additional funding received from DSD of $0.090m is taken into account, the Authority's cash balance declined by $0.084m during the year.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(117)	(173)	(318)	(271)	(345)
EBIT ($'000s)		68	14	(133)	(23)	(75)
Operating margin	>1.0	0.80	0.78	0.45	0.53	0.45
Return on assets		13.4%	2.4%	-24.8%	-6.0%	-23.0%
Return on equity		17.3%	0.5%	-34.7%	-9.0%	-36.3%
Financial Management						
Debt to equity						
Debt to total assets						
Interest cover	>3					
Current ratio	>1	4.21	2.01	1.83	1.04	0.61
Cost of debt	7.5%					
Debt collection	30 days	10	9	25	30	11
Creditor turnover	30 days	8	71	31	- 1	11
Returns to Government						
Dividends paid or payable ($'000s)		0	0	0	0	0
Dividend payout ratio	50%					
Dividend to equity ratio						
Income tax paid or payable ($'000s)		0	0	0	0	0
Effective tax rate	30%					
Total return to the State ($'000s)		0	0	0	0	0
Total return to equity ratio						
Other information						
Staff numbers FTEs		6	7	6	7	7
Average staff costs ($'000s)		40	40	37	34	38

Comment

The Authority does not have any outstanding borrowings and therefore the debt related ratios are not applicable. Furthermore, due to the Authority's ongoing loss situation, no dividends or tax payments have been made to the State. The dividend, tax and total return ratios are therefore not applicable.

The financial performance ratios reveal that the Authority has made an operating loss in all of the past five-years. Profits from ordinary activities were achieved in 1996-97 and 1997-98 due to the deficit contribution of $185 000 from the State Government.

The current ratio also reflects the decline in operating income and the continuing cash flow problems. For the first time in the period under review, the Authority had a negative working capital at 30 June 2001.

OVERALL COMMENT

The audit of the financial statements for the 2000-01 year was completed with satisfactory results.

The financial performance ratios reveal that the Authority has continued to incur operating losses over the period of the review. Members and officers of the Authority have held meetings with the Premier and representatives from the DSD and Treasury and Finance to discuss the future of the Authority. As Minister for State Development, the Premier has been provided with reports on alternative options for increasing operating outcomes and maximising utilisation of the facilities.

Repairs, maintenance and replacement of equipment continue to be a significant issue on the Authority's agenda. The Corporate Plan for the years 2000-03 identified the need for additional funding from the DSD, which was received in early 2001.

Further to my Report No 2 for 1999-00 (page 135), I note that the transfer of the ownership of the Velodrome to local government has not eventuated. At the time of preparing this report, no decision has been made regarding the future of the Authority.

3.3.6 THE PUBLIC TRUSTEE

INTRODUCTION

The Public Trustee was established by the *The Public Trustee Act 1930*. Schedule 1 of the *Government Business Enterprises Act 1995* includes The Public Trustee as a Government Business Enterprise and hence the requirements of the legislation are applicable to The Public Trustee.

RESPONSIBLE MINISTER

The Responsible Minister is the Attorney-General and Minister for Justice and Industrial Relations.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements of The Public Trustee, signed by the Chairperson and the Chief Executive Officer, were received on 31 August 2001 and an unqualified audit report was issued on 31 October 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	3 444	3 513	3 592	3 259	3 885
Non-operating revenue	209	457	69	294	17
Total Revenue	**3 653**	**3 970**	**3 661**	**3 553**	**3 902**
Borrowing costs	446	210	0	0	0
Depreciation	113	118	108	91	92
Other operating expenses	3 126	3 181	3 459	3 364	3 566
Non-operating expenses	12	123	0	107	0
Total Expenses	**3 697**	**3 632**	**3 567**	**3 562**	**3 658**
Result from ordinary activities	**(44)**	**338**	**94**	**(9)**	**244**
Income tax expense	(40)	335	70	0	0
Result after taxation	**(4)**	**3**	**24**	**(9)**	**244**

Comment

Operating revenue consists of commission and fees (90%) and income from investments (10%). It has been on an increasing trend over the five-year period, except for 1999-00 when a loss amounting to $0.600m was incurred on an investment in the Common Fund. This loss was absorbed through a reduction in management fees receivable from the Common Fund. In 2000-01 the significant increase resulted from the change in the investment policy to move funds from mortgage investments into fund management investments.

Non-operating revenues are mainly due to a write back of superannuation liabilities for over provisions in the prior year. An adjustment for such write-back exists in each of the five financial years under review, and they are in line with actuarial assessments made at the end of each year.

Non-operating expenses reflect the downward valuation of the properties owned by The Public Trustee.

Borrowing costs were concerned with the loan amounting to $2.675m for the construction of the premises at Elizabeth Street. This loan was repaid in 1997-98 and hence borrowing costs were no longer payable.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	1	1	1	1	1
Receivables	67	86	88	52	256
Investments	4 280	1 800	2 251	1 992	2 350
Other	0	0	0	6	27
Total Current Assets	**4 348**	**1 887**	**2 340**	**2 051**	**2 634**
Property, plant & equipment	3 735	3 543	3 459	3 409	3 327
Other	335	13	10	0	0
Total Non-Current Assets	**4 070**	**3 556**	**3 469**	**3 409**	**3 327**
Payables	217	150	420	243	343
Provisions	484	427	435	550	937
Total Current Liabilities	**701**	**577**	**855**	**793**	**1 280**
Borrowings	2 675	0	0	0	0
Provisions	4 106	3 927	4 003	3 725	3 616
Other					
Total Non-Current Liabilities	**6 781**	**3 927**	**4 003**	**3 725**	**3 616**
Net Assets	**936**	**939**	**951**	**942**	**1 065**
Retained profits	936	939	951	942	1 065
Total Equity	**936**	**939**	**951**	**942**	**1 065**

Comment

The significant amount for receivables in 2000-01 is due to the timing difference in the receipt of the final payment for community services obligations, which amounted to $0.244m.

The level of investments declined significantly in 1997-98 due to the repayment of the outstanding loan of $2.675m used for the construction of the Elizabeth Street premises.

The decline in the amounts under other non-current assets for 1996-97 occurred because an amount of $0.335 relating to future tax benefits was written-off as the Public Trustee could not be virtually certain that profits would exist into the future to obtain the related taxation benefit.

CASH POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receipts from customers	3 444	3 513	3 616	3 240	3 662
Payments to suppliers and employees	(2 801)	(3 008)	(3 139)	(3 349)	(3 310)
Borrowing costs	(289)	(264)	0	0	0
Taxation expense	(25)	0	0	0	0
Cash from operations	**329**	**241**	**477**	**(109)**	**352**
Proceeds from investments	500	2 400	(400)	200	(300)
Payments for P, P & Equipment	(870)	(97)	(26)	(149)	(51)
Proceeds from sale of P, P & E	17	50	0	0	57
Cash used in investing activities	**(353)**	**2 353**	**(426)**	**51**	**(294)**
Repayment of borrowings	0	(2 674)	0	0	0
Cash from financing activities	**0**	**(2 674)**	**0**	**0**	**0**
Net increase in cash	**(24)**	**(80)**	**51**	**(58)**	**58**
Cash at the beginning of the period	305	281	201	252	193
Cash at end of the period	**281**	**201**	**252**	**194**	**251**

Comment

Proceeds from investments reflect the net movement of The Public Trustee's share of the investments in the Common Fund. The major decrement noted in 1997-98 is due to the loan repayment for the Elizabeth Street premises noted previously, as noted within the repayment of borrowings figure in the same year.

The large outflow in payments for property, plant and equipment during 1996-97 was due to some significant purchases, namely the Watchorn Street car park of $0.280m and the Launceston office premises of $0.340m.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(241)	1	25	(196)	227
EBIT ($'000s)		(44)	338	94	(9)	244
Operating margin	>1.0	0.93	0.97	1.01	0.91	1.06
Return on assets		-0.7%	5.4%	1.5%	-0.1%	3.9%
Return on equity		-0.4%	0.3%	2.5%	-0.9%	25.2%
Financial Management						
Debt to equity		285.8%	-	-	-	-
Debt to total assets		31.8%	-	-	-	-
Interest cover	>3 -	0	2	-	-	-
Current ratio	>1	6.20	3.27	2.74	2.59	2.06
Cost of debt	7.5%	16.7%	15.7%	-	-	-
Debt collection	30 days	7	9	9	6	24
Creditor turnover	30 days	25	16	44	26	35
Returns to Government						
Dividends paid or payable ($'000s)		0	0	12	0	122
Dividend payout ratio	50%	-	-	50.0%	-	50.0%
Dividend to equity ratio		-	-	1.2%	-	12.6%
Income tax paid or payable ($'000s)		0	335	70	0	0
Effective tax rate	30%	-	99.1%	74.5%	-	-
Total return to the State ($'000s)		0	335	82	0	122
Total return to equity ratio		-	34.7%	8.5%	-	50.0%
Other information						
Staff numbers FTEs		51	51	51	49	49
Average staff costs ($'000s)		35	36	37	38	39

Comment

The negative results from operations in 1996-97 were due to the payment of borrowing costs associated with the loan taken for the construction of the Elizabeth Street premises. The loss noted in 1999-00 was due to the reduction in management fees receivable from the Common Fund in absorbing the loss of $0.600m in a mortgage investment. These consequences are also reflected in the calculation for earnings before income tax. Only in 2000-01 was a significant return on equity achieved, which is principally due to the fact that no income tax expense was payable as the Trustee is carrying some significant tax losses into future years.

The decrease of the current ratio from 6.20 in 1996-97 to 3.27 in 1997-98 is due to the loan repayment noted previously. Since that year, with no further borrowings, the various debt ratios are no longer applicable.

The total return to the state has been low due to the marginal operating results being obtained over the past 5 years, but when returns are made, there is a significant impact on the total return to equity ratio due to the Trustee's small equity base.

OVERALL COMMENT

The audit of the accounts for the 2000-01 financial year was completed with satisfactory results, with no major issues outstanding.

3.4 STATE OWNED CORPORATIONS

BACKGROUND

Government Businesses and Authorities that may be subject to provisions of their enabling legislation, and also subject to the provisions of *Corporations Act 2001*, are referred to as State Owned Corporations (SOCs).

Tasmania's SOCs (excluding port corporations) collectively have net assets valued in excess of $753m, employ over 1 700 people, and generate an estimated $795m in operating revenue annually, and are significant to the Tasmanian economy.

The Government is the sole shareholder in each SOC on behalf of the Tasmanian community. The broad governance framework for SOCs is set out in the portfolio legislation for each SOC, the *Corporations Act 2001* and the Constitution of each SOC.

The corporatisation of Government Businesses and Authorities under the *Corporations Act 2001* continues the reform process for improving public sector efficiency and effectiveness. While still serving a public purpose and owned by Government, corporatised entities are autonomous in day to day decision making with Ministerial direction provided through the strategic planning process.

Enabling legislation provides for the payment of guarantee fees, taxation equivalents and dividends.

RESPONSIBLE MINISTER

The Ministers responsible for the entities within this group are as follows:

Entity	Responsible Minister
Aurora Energy Pty Ltd	Minister for Infrastructure, Energy and Resources
Metro Tasmania Pty Ltd	Minister for Infrastructure, Energy and Resources
TOTE Tasmania Pty Ltd	Minister for Racing and Gaming
Transend Networks Pty Ltd	Minister for Infrastructure, Energy and Resources
TT-Line Company Pty Ltd	Minister for Infrastructure, Energy and Resources

The responsible Minister together with the Treasurer hold the shares in the companies.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	Aurora Energy $'000s	Metro Tasmania $'000s	TOTE Tasmania $'000s	Transend Networks $'000s	TT-Line $'000s
Operating revenue	572 499	28 950	34 484	77 939	81 829
Non-operating revenue	0	44	0	0	13
Total Revenue	**572 499**	**28 994**	**34 484**	**77 939**	**81 842**
Borrowing Costs	34 307	262	154	1 006	2 696
Depreciation	40 673	2 790	2 326	17 454	5 970
Other Operating Expenses	460 281	25 995	31 109	27 899	67 808
Non-Operating Expenses	236	0	0	9 173	0
Total Expenses	**535 497**	**29 047**	**33 589**	**55 532**	**76 474**
Result from ordinary activities	**37 002**	**(53)**	**895**	**22 407**	**5 368**
Income tax expense	16 856	0	362	12 341	0
Result after taxation	**20 146**	**(53)**	**533**	**10 066**	**5 368**

Comment

Metro relies heavily on government support for its Community Service Obligation, and is bound by decisions made by the Government Prices Oversight Commission in charging fees to customers, versus private coach services. Hence there is not much scope for the company to perform above a break-even outcome.

TOTE Tasmania also assumes the operating costs of Racing Tasmania since mid-1999-00, and this has impacted on TOTE's ability to improve its profitability, even though it is adopting a more client-focused approach in marketing over the past year, which is reflected in increased wagering revenue.

FINANCIAL POSITION

	Aurora Energy $'000s	Metro Tasmania $'000s	TOTE Tasmania $'000s	Transend Networks $'000s	TT-Line $'000s
Cash	8	1 329	994	0	12 039
Receivables	86 549	1 068	1 142	9 744	4 743
Investments	0	3 092	4 909	530	0
Inventories	3 559	696	0	489	581
Other	2 594	431	973	1 102	583
Total Current Assets	**92 710**	**6 616**	**8 018**	**11 865**	**17 946**
Property, plant & equipment	693 919	26 834	16 791	451 682	101 655
Investments	564	1 990	0	0	0
Other	4 902	127	833	623	0
Total Non-Current Assets	**699 385**	**28 951**	**17 624**	**452 305**	**101 655**
Payables	55 734	1 975	2 668	10 806	6 999
Borrowings	72 198	71	0	5 052	16 971
Provisions	36 434	3 995	1 055	16 387	3 639
Other	3 590	0	2 583	902	5 176
Total Current Liabilities	**167 956**	**6 041**	**6 306**	**33 147**	**32 785**
Borrowings	306 392	3 034	2 784	10 418	22 587
Provisions	54 578	9 431	929	25 248	1 946
Other	0	0	0	0	0
Total Non-Current Liabilities	**360 970**	**12 465**	**3 713**	**35 666**	**24 533**
Net Assets	**263 169**	**17 061**	**15 623**	**395 357**	**62 283**
Capital	201 555	15 501	9 892	336 549	94 568
Reserves	35 459	1 207	5 505	37 639	0
Retained profits/(Accumulated Losses)	26 155	353	226	21 169	(32 285)
Total Equity	**263 169**	**17 061**	**15 623**	**395 357**	**62 283**

Comment

All five companies have comfortable net asset margins, due to the considerable amount of property, plant and equipment they hold. All but TOTE also have current and non-current borrowings. TT Line has accumulated losses resulting from a downwards revaluation of its major asset, the Spirit of Tasmania, some years ago.

CASH POSITION

	Aurora Energy $'000s	Metro Tasmania $'000s	TOTE Tasmania $'000s	Transend Networks $'000s	TT-Line $'000s
Receipts from customers	610 638	28 700	163 912	87 434	90 201
Payments to suppliers and emloyees	(508 006)	(26 132)	(161 773)	(32 749)	(74 917)
Interest received	939	387	290	45	387
Borrowing costs	(32 280)	(262)	(169)	(1 124)	(2 722)
Taxation expense	(13 532)	0	0	(8 295)	0
Cash from operations	**57 759**	**2 693**	**2 260**	**45 311**	**12 949**
Proceeds from investments	0	500	2 633	2 046	0
Payments for investments	(800)	(335)	(41)	0	0
Payments for P, P & Equipment	(50 060)	(858)	(2 410)	(32 073)	(1 229)
Proceeds from sale of P, P & E	2 143	275	503	197	87
Cash used in investing activities	**(48 717)**	**(418)**	**685**	**(29 830)**	**(1 142)**
Proceeds from borrowings	38 639	0	0	5 689	0
Repayment of borrowings	(39 169)	(588)	0	(9 930)	(2 778)
Dividends paid	(10 052)	(533)	0	(11 199)	0
Cash from financing activities	**(10 582)**	**(1 121)**	**0**	**(15 440)**	**(2 778)**
Net increase in cash	**(1 540)**	**1 154**	**2 945**	**41**	**9 029**
Cash at the beginning of the period	1 064	175	2 957	(117)	3 010
Cash at end of the period	**(476)**	**1 329**	**5 902**	**(76)**	**12 039**

Comment

Cash from operations from the five companies for the year resulted in net inflows. Cash from financing operations were net outflows for all but TOTE due to repayments of borrowings and dividends paid (except for TT Line). Cash at the end of the year was positive except for Transend, however that company did have short-term investments of $530 000.

FINANCIAL ANALYSIS

	Bench Mark	Aurora Energy	Metro Tasmania	TOTE Tasmania	Transend Networks	TT-Line
Financial Performance						
Result from ordinary activities ($'000s)		37 002	(97)	896	22 407	5 355
EBIT ($'000s)		71 309	209	1 050	23 413	8 064
Operating margin	>1.0	1.07	1.00	1.03	2.79	1.07
Return on assets		9.2%	0.6%	1.0%	5.0%	6.9%
Return on equity		8.0%	-0.3%	0.9%	2.5%	9.0%
Financial Management						
Debt to equity		143.9%	18.2%	17.8%	2.5%	63.5%
Debt to total assets		47.8%	8.7%	10.9%	2.1%	33.1%
Interest cover	>3	2	1	7	23	3
Current ratio	>1	0.55	1.10	1.27	0.36	0.55
Cost of debt	7.5%	9.1%	8.1%	1.4%	6.5%	6.6%
Debt collection	30 days	28	13	14	46	21
Creditor turnover	30 days	3	35	31	141	24
Returns to Government						
Dividends paid ($'000s)		10 244	0	0	10 091	0
Dividend payout ratio	50%	50.8%	-	-	100	-
Dividend to equity ratio		4.1%	-	-	2.6%	-
Income tax expense ($'000s)		16 856	0	362	8 855	0
Effective tax rate	30%	45.6%	-	40.4	40	-
Total return to the State ($'000s)		27 100	0	362	18 946	0
Total return to equity ratio		10.8%	-	0.6%	4.8%	-
Other information						
Staff numbers		810	380	102	91	345
Average staff costs		51	45	51	83	49

Comment

Operating margins for all companies were at or above the benchmark of one , with Transend the best performer with a margin of 2.79. However, that company's revenue also includes revenue for the System Controller from this year. Return on equity has been low for all but Aurora and TT-Line.

Interest cover was highest for Transend due to its favourable operating result this year. However, debt collection and creditors turnover is highest for Transend as it is slow in receiving payments from other electricity entities and in paying such intercompany debts itself.

In regard to the current ratio, only Metro and TOTE are in excess of the benchmark of one. The ratio for Aurora and TT-Line is due mostly to borrowings, creditors, and in the case of Aurora and Transend, current employee entitlement liabilities.

Aurora is also paying the highest average cost of debt due to some older borrowings remaining in its borrowing portfolio.

Aurora and Transend paid significant returns by way of dividends and taxation. In relation to TOTE, prior to the merger with Racing Tasmania last year, distributions were made to that entity but are now used for funding the assumed operating costs of Racing Tasmania.

OVERALL COMMENT

Aurora and Transend made significant returns to the state by way of dividends and taxation. TT-Line performed strongly during the year, however it did not pay a dividend and will not pay taxation for some years due to permanent timing differences related to asset valuations.

3.4.1 AURORA ENERGY PTY LTD

INTRODUCTION

Aurora Energy Pty Ltd (Aurora) was established under the *Electricity Companies Act 1997* and was incorporated under the Corporations Law on 17 June 1998. Its shareholders are the Treasurer and the Minister for Infrastructure, Energy and Resources.

Aurora consists of three core business divisions comprising Energy Services (electricity retailing), Network (distribution asset management), and Aurora Services (asset maintenance and improvement services).

The Company is managed by a board of seven directors, appointed by the Government.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The Tasmanian Audit Office received signed financial statements of the Company on 24 September 2001 and an unqualified audit report was issued on 27 September 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue			542 850	551 174	572 499
Total Revenue			**542 850**	**551 174**	**572 499**
Borrowing costs			38 658	41 912	34 307
Depreciation			37 292	39 183	40 673
Other operating expenses			436 472	440 974	460 517
Total Expenses			**512 422**	**522 069**	**535 497**
Result from ordinary activities			**30 428**	**29 105**	**37 002**
Income tax expense			14 196	9 002	16 856
Result after taxation			**16 232**	**20 103**	**20 146**

Comment

Operating revenue has increasing steadily with sales revenue for both Business Customers ($349m 2001, $339m 2000, $332m 1999) and General Sales ($192m 2001, $181m 2000, $177m 1999). This has been partially offset by increases in Energy and Transmission costs over the same period ($363m 2001, $344m 2000, $336m 1999).

The decline in borrowing costs in 2000-01 is mainly due to a restructure of the Company's loan portfolio in the previous year to improve debt management.

Income Tax Equivalent Expense was lower in the previous year chiefly due to the effects of reductions in the company tax rates on deferred tax balances. Aurora's operating result after tax remains strong.

FINANCIAL POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Cash		23	37	10	8
Receivables		83 092	87 591	78 278	86 549
Investments		2 500	4 400	3 100	0
Inventories		5 592	4 988	3 905	3 559
Other		375	3 618	2 772	2 594
Total Current Assets		**91 582**	**100 634**	**88 065**	**92 710**
Property, plant & equipment		641 115	655 702	672 000	693 919
Investments		0	0	0	564
Other		5 364	5 465	4 601	4 902
Total Non-Current Assets		**646 479**	**661 167**	**676 601**	**699 385**
Payables		15 490	57 372	60 681	55 734
Borrowings		75 800	52 900	20 000	72 198
Provisions		22 164	25 785	31 045	36 434
Other		2 480	3 313	3 017	3 590
Total Current Liabilities		**115 934**	**139 370**	**114 743**	**167 956**
Borrowings		523 303	335 577	358 138	306 392
Provisions		86 081	59 924	53 702	54 578
Total Non-Current Liabilities		**609 384**	**395 501**	**411 840**	**360 970**
Net Assets		**12 743**	**226 930**	**238 083**	**263 169**
Capital		0	201 555	201 555	201 555
Reserves		12 743	19 175	20 277	35 459
Retained profits		0	6 200	16 251	26 155
Total Equity		**12 743**	**226 930**	**238 083**	**263 169**

Comment

The assets and liabilities as transferred from the Hydro-Electric Corporation to the Company are represented in the 1997-1998 column. Consideration for the transfer consisted of an interest free loan of $249.055m to the Hydro-Electric Corporation. During this initial year at the direction of the Treasurer Aurora repaid a sum of $47.500m with the remainder being transferred from the Hydro-Electric Commission to the Crown for nil consideration. The debt was then converted to equity on 30 June 1999 with the issue of two shares, one each for the Treasurer and the Minister for Energy.

The valuation methodology of the Company's distribution assets reflects the Tasmanian Electricity Code rules which regulates the revenue from these assets based on the written down optimised replacement value of the assets, and adjustments to these values as determined by the regulator. In other words it represents the least cost, modern equivalent assets, which would provide the same service potential of the existing assets. It is appropriate for the recoverable amount to reflect the adjusted written down optimised replacement value. Since their initial valuation as at the 1 July 1998 subsequent valuations have been determined by applying appropriate inflation factors and the inclusion of additions.

During 1999-00 the Company restructured its loan portfolio, including the repayment of $10m in debt. Borrowings remained stable for the 2000-01 financial year.

Equity for the company has grown in line with revaluation increments to reserves and the accumulation of retained profits.

CASH POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receipts from customers			551 613	565 316	610 638
Payments to suppliers and employees			(455 995)	(440 074)	(508 006)
Interest received			701	1 292	939
Borrowing costs			(35 216)	(45 121)	(32 280)
Taxation expense			(6 738)	(11 835)	(13 532)
Cash from operations			**54 365**	**69 578**	**57 759**
Payments for investments			0	0	(800)
Payments for P, P & Equipment			(47 994)	(57 112)	(50 060)
Proceeds from sale of P, P & E			3 269	1 635	2 143
Cash used in investing activities			**(44 725)**	**(55 477)**	**(48 717)**
Proceeds from borrowings			117 400	163 700	38 639
Repayment of borrowings			(126 400)	(173 700)	(39 169)
Dividends paid			0	(6 200)	(10 052)
Cash from financing activities			**(9 000)**	**(16 200)**	**(10 582)**
Net increase in cash			**640**	**(2 099)**	**(1 540)**
Cash at the beginning of the period			2 523	3 163	1 064
Cash at end of the period			**3 163**	**1 064**	**(476)**

Comment

Aurora benefits from a regular supply of income from its electricity debtors to meet its obligations to both suppliers and employees. These have continued to increase steadily over the proceeding years with an increase from 246,628, 1 July 2000 to 247,801 customers at 30 June 2001. The other major influence for the 2000-01 year totals for both Receipts from customers and Payments to suppliers is that they now include Goods and Services Tax on Sales and Purchases respectively. Borrowing costs declined inline with prior year restructuring and lower debt serving costs from a more strategic approach.

Property Plant and Equipment payments remain relatively stable. Proceeds and repayments of borrowings mainly offset each other as Aurora’s debt portfolio is managed from year to year. There was a reduction in total borrowings of $9m in 1998-99 and $10m in 1999-00. Other financing activity cash flows are for dividend payments based on operating profit as shown above. Actual cash held remains low as resources wherever possible are applied against debt.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)				30 428	29 105	37 002
EBIT ($'000s)				69 086	71 017	71 309
Operating margin	>1.0			1.06	1.06	1.07
Return on assets				9.2%	9.3%	9.2%
Return on equity				13.5%	8.6%	8.0%
Financial Management						
Debt to equity				171.2%	158.8%	143.9%
Debt to total assets				51.0%	49.5%	47.8%
Interest cover	>3			2	2	2
Current ratio	>1			0.72	0.77	0.55
Cost of debt	7.5%			7.8%	10.9%	9.1%
Debt collection	30 days			27	23	28
Creditor turnover	30 days			4	3	3
Returns to Government						
Dividends paid or payable ($'000s)				6 200	10 052	10 244
Dividend payout ratio	50%			38.2%	50.0%	50.8%
Dividend to equity ratio				5.2%	4.3%	4.1%
Income tax paid or payable ($'000s)				14 196	9 002	16 856
Effective tax rate	30%			46.7%	30.9%	45.6%
Total return to the State ($'000s)				20 396	19 054	27 100
Total return to equity ratio				17.0%	8.2%	10.8%
Other information						
Staff numbers FTEs				859	841	810
Average staff costs ($'000s)				46	46	51

Comment

Aurora's operating result continues to be strong with a $7.897m increase over the previous financial year. Financial performance and management analysis figures remain relatively stable. The current ratio for the current financial year has decreased due to timing increases of current liabilities as they fall due.

Returns to the State remain stable at half operating profit after tax plus income tax. As mentioned above the effective tax rate was lower in the prior year mainly due to the effects of reductions in the company tax rates on deferred tax balances.

OVERALL COMMENT

As a result of strong operations the Tasmanian Government will receive $45.365m comprising; income tax equivalence, $16.865m; statutory levy (5%), $14.009m, dividend, $10.244m; payroll tax, $3.165m and guarantee fees, $1.082m.

From the 1 July 2001 the State Government announced the abolition of the 5% statutory levy on all electricity accounts.

During the year Aurora entered the telecommunications market with the launch of new joint venture company, Tastel. A subsidiary company EziKey Group Pty Ltd was also established to promote prepaid metering products currently in use in Tasmania to other national utilities.

The 2000-01 Audit was completed with satisfactory results.

3.4.2 METRO TASMANIA PTY LTD

INTRODUCTION

Metro Tasmania is a State-owned company that provides public urban road transport services in the metropolitan areas of Hobart, Launceston and Burnie and through its subsidiary, to Kingston/Channel, New Norfolk and Richmond/Campania.

Metro Tasmania Pty Ltd was incorporated on 2 February 1998 under the *Metro Tasmania Act 1997*. This company is a successor in law of the Metropolitan Transport Trust.

Metro Coaches (Tas) Pty Ltd was established as a subsidiary company on 7 May 1999, following the purchase by Metro Tasmania of a portion of the former Hobart Coaches Pty Ltd. The Auditor-General has been appointed as the auditor of the subsidiary company.

The financial information presented below represents the consolidated accounts of Metro Tasmania Pty Ltd and its subsidiary.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements of Metro Tasmania Pty Ltd were received on 31 August 2001, with revised statements being received on 4 October 2001. An unqualified audit report was issued on 26 October 2001.

The financial statements of Metro Coaches (Tas) Pty Ltd were received on 3 October 2001 and an unqualified audit report was issued on 31 October 2001.

FINANCIAL RESULTS

Results for the 1997-98 financial year are for a period of 5 months only.

FINANCIAL PERFORMANCE

	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s
Operating revenue	11 742	27 648	29 842	28 950
Non-operating revenue	0	2	40	44
Total Revenue	**11 742**	**27 650**	**29 882**	**28 994**
Borrowing costs	258	522	427	262
Depreciation	1 246	2 952	2 992	2 790
Other operating expenses	9 981	26 441	25 700	25 995
Total Expenses	**11 485**	**29 915**	**29 119**	**29 047**
Result from ordinary activities	**257**	**(2 265)**	**763**	**(53)**
Income tax expense	0	0	0	0
Result after taxation	**257**	**(2 265)**	**763**	**(53)**

Comment

Operating revenue increased in 1999-00 as a result of the first full year's operations of Metro Coaches (Tas) Pty Ltd.

Borrowing costs have been reducing due to reductions in the levels of debt.

On incorporation Metro Tasmania Pty Ltd had a contingent superannuation liability related to arrangements entered into prior to incorporation to allow certain categories of employees to elect, at a later date, to leave the State Government Retirement Benefits Fund (RBF) superannuation scheme. The opportunity occurred during 1998-99. More employees than anticipated elected to leave the scheme and consequently the original sum provided was $2.196 million less than required. This was expensed in that year and resulted in a loss of $2.265 million. As the provision related to the previous year, a transfer from Shareholders Equity on formation was made to make up the loss.

Metro Tasmania has significant carry-forward tax losses and is therefore unlikely to pay income tax for a number of years.

FINANCIAL POSITION

	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s
Cash	1 184	379	175	1 329
Receivables	399	611	380	1 068
Investments	472	1 076	2 673	3 092
Inventories	924	820	700	696
Other	381	318	260	431
Total Current Assets	**3 360**	**3 204**	**4 188**	**6 616**
Property, plant & equipment	32 107	30 778	27 800	26 834
Investments	15 703	3 040	2 599	1 990
Other	0	159	143	127
Total Non-Current Assets	**47 810**	**33 977**	**30 542**	**28 951**
Bank Overdraft	163	0	0	0
Payables	1 303	1 348	1 497	1 975
Borrowings	51	5 923	514	71
Provisions	8 239	3 142	3 828	3 995
Other				
Total Current Liabilities	**9 756**	**10 413**	**5 839**	**6 041**
Borrowings	6 824	901	3 179	3 034
Provisions	16 647	10 189	9 804	9 431
Other				
Total Non-Current Liabilities	**23 471**	**11 090**	**12 983**	**12 465**
Net Assets	**17 943**	**15 678**	**15 908**	**17 061**
Capital	17 686	15 494	15 498	15 501
Reserves	0	0	0	1 207
Retained profits	257	184	410	353
Total Equity	**17 943**	**15 678**	**15 908**	**17 061**

Comment

A major change in the Statement of Financial Position for 1998-99 was to provide funding for the payout of employees withdrawing from the RBF superannuation scheme as noted above. The effect of this was to decrease cash on hand from $1.184 million in 1997-98 to $0.379 million in 1998-99, increase current investments from $0.472 million to $1.076 million and decrease non-current investments from $15.703 million to $3.040 million.

Due to a large number of employees no longer being members of the Retirement Benefits Fund, there was a decrease in the non-current provision for employee provisions from $16.647m in 1997-98 to $10.189m in 1998-99.

A significant increase of $5.872 million in current borrowings in 1998-99 was offset by a corresponding decrease in the non-current liability as a result of a large proportion of total borrowings being due in 1999-00.

Total borrowings decreased from $6.824 million in 1998-99 to $3.693 million in 1999-00 due to debt repayments to Tascorp of $2.5 million, the Department of Treasury and Finance of $0.631 million, $2.792 of debt maturing during the year was refinanced.

Land, buildings and buses were re-valued in 2001, resulting in the creation of an asset revaluation reserve of $1.207 million.

CASH POSITION

	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receipts from customers	11 075	26 775	29 159	28 700
Payments to suppliers and employees	(10 385)	(37 773)	(25 010)	(26 132)
Interest received	609	651	335	387
Borrowing costs	(258)	(522)	(427)	(262)
Cash from operations	**1 041**	**(10 869)**	**4 057**	**2 693**
Proceeds from investments	0	12 650	2 500	500
Payments for investments	(609)	(591)	(3 656)	(335)
Payments for P, P & Equipment	(318)	(2 036)	(1 047)	(858)
Proceeds from sale of P, P & E	1 549	255	1 073	275
Cash used in investing activities	**622**	**10 278**	**(1 130)**	**(418)**
Proceeds from borrowings	5 292	0	2 792	0
Repayment of borrowings	(5 295)	(51)	(5 923)	(588)
Dividends Paid	0	0	0	(533)
Cash from financing activities	**(3)**	**(51)**	**(3 131)**	**(1 121)**
Net increase in cash	**1 660**	**(642)**	**(204)**	**1 154**
Cash at the beginning of the period	(639)	1 021	379	175
Cash at end of the period	**1 021**	**379**	**175**	**1 329**

Comment

Receipts from customers increased in 1999-00 as a result of the first full year's operations of Metro Coaches (Tas) Pty Ltd.

Payments to employees in 1998-99 were abnormally high due to employees opting out of the Retirement Benefits Fund as mentioned above. These payments were funded from investments.

Borrowing activity in 1997-98 and 1999-00 was principally due to refinancing measures.

A dividend of $0.533m was paid to Treasury in 2000-01 based on the prior year profit result.

FINANCIAL ANALYSIS

	Bench Mark	1997-98	1998-99	1999-00	2000-01
Financial Performance					
Result from operations ($'000s)		257	(2267)	723	(97)
EBIT ($'000s)		515	(1743)	1 190	209
Operating margin	>1.0	1.02	0.92	1.02	1.00
Return on assets		1.0%	-4.7%	3.3%	0.6%
Return on equity		1.6%	-13.5%	4.8%	-0.3%
Financial Management					
Debt to equity		38.3%	43.5%	23.2%	18.2%
Debt to total assets		13.4%	18.4%	10.6%	8.7%
Interest cover	>3	2	(3)	3	1
Current ratio	>1	0.34	0.31	0.72	1.10
Cost of debt	7.5%	3.8%	7.6%	11.6%	8.1%
Debt collection	30 days	13	8	5	13
Creditor turnover	30 days	43	37	29	35
Returns to Government					
Dividends paid or payable ($'000s)		0	0	533	0
Dividend payout ratio	50%	-	-	73.7%	-
Dividend to equity ratio		-	-	3.4%	-
Income tax paid or payable ($'000s)		0	0	0	0
Effective tax rate	30%	-	-	-	-
Total return to the State ($'000s)		0	0	533	0
Total return to equity ratio		-	-	3.4%	-
Other information					
Staff numbers FTEs		389	376	378	380
Average staff costs ($'000s)		13	34	42	45

Comment

The negative result in 1998-99 was due to an abnormal payout of superannuation entitlements for employees withdrawing from the RBF scheme as mentioned above.

The interest cover ratio of one in 2000-01 indicates that revenues are low compared to the borrowing costs required to service the loan portfolio.

Returns to the State continue to be well below that which would be expected from commercial undertakings. The terms of the Community Service Agreement contract with government for urban bus services allows only for a “break even” result. This influences the returns that Metro Tasmania Pty Ltd is able to make to the State.

OVERALL COMMENT

The 2000-01 Audit was completed with generally satisfactory results.

3.4.3 TOTE TASMANIA PTY LTD

INTRODUCTION

TOTE Tasmania Pty. Ltd. was incorporated on 5 March 2001 giving rise to the final step in the corporatisation of the former Totalizator Agency Board (TAB).

The transition of the business, assets and liabilities of the TAB to the company were governed by the *TOTE Tasmania Act 2000* and the *TOTE Tasmania (Consequential Amendments) Act 2000.* The revised business and tax structure under corporatisation was given effect from 1 August 2000 under a Ministerial arrangement.

The company is empowered to establish and conduct totalizator betting in Tasmania under *The Racing Regulation Act 1952.* There have been no significant changes or extension of powers under this Act in the last twelve months.

The Board comprises six members who are appointed by the State as the 100% owner of the company.

The company owns a one hundred percent interest in Tasradio Pty Ltd, a commercial radio broadcaster, which enables it to provide race broadcasts throughout most of Tasmania. Consequently, the financial information presented below represents the consolidated results and financial position of the company and its subsidiary.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of TOTE Tasmania for the period 5 March 2001 to 30 June 2001 were received on 28 September 2001 and an unqualified audit report was issued on 11 October 2001. The Auditor-General was not required to audit the TAB for the period 1 July 2000 to 4 March 2001, however, the entire year's results have been combined for this report.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Wagering revenue	27 501	25 372	25 190	26 215	30 830
Interest received	586	320	183	231	305
Other income	1 118	1 182	1 123	1 870	3 350
Total Revenue	**29 205**	**26 874**	**26 496**	**28 316**	**34 485**
Borrowing costs	0	0	0	0	154
Depreciation	1 607	1 545	1 527	2 220	2 326
Other operating expenses	14 731	15 760	15 690	25 939	31 109
Total Expenses	**16 338**	**17 305**	**17 217**	**28 159**	**33 589**
Result from ordinary activities	**12 867**	**9 569**	**9 279**	**157**	**897**
Income tax expense	0	0	0	0	362
Result after taxation	**12 867**	**9 569**	**9 279**	**157**	**534**

Comment

The five-year comparatives refer to the TAB for the period 1996-1997 to 4 March 2001 and the company from 5 March 2001 to 30 June 2001. The take over on 1 December 1999 of Racing Tasmania functions influenced the Statement of Financial Performance by bringing to account the cost of racing operations and administration prior to the determination of the operating result.

Following the assumption of Racing Tasmania in 1999-00, unsecured borrowings of $2.785m were included resulting in Borrowing costs for TOTE from that year. Similarly the amount Property, plant and equipment increased with a resultant increase in depreciation. Other expenses increased accordingly.

Operating expenses increased in 1999-00 with the merger of Racing Tasmania during the year and the full year effect continuing into 2000-01.

Following corporatisation, TOTE became liable to income tax equivalents.

Prior to the merger of Racing Tasmania, dividends from the net result were paid to Racing Tasmania, but are now used for funding the assumed operating costs of Racing Tasmania.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	987	372	1 920	2 957	994
Receivables	731	698	391	1 055	1 144
Investments	6 455	3 523	2 239	2 632	4 909
Other	390	309	386	555	973
Total Current Assets	**8 562**	**4 902**	**4 936**	**7 200**	**8 019**
Property, plant & equipment	12 690	12 522	11 773	17 001	16 791
Other	811	1 068	935	861	833
Total Non-Current Assets	**13 502**	**13 591**	**12 708**	**17 862**	**17 624**
Payables	563	683	687	2 244	2 668
Provisions	914	698	775	1 269	1 055
Other	6 800	3 187	2 255	2 103	2 583
Total Current Liabilities	**8 277**	**4 568**	**3 717**	**5 617**	**6 306**
Borrowings	0	0	0	2 784	2 784
Provisions	127	102	104	1 157	929
Total Non-Current Liabilities	**127**	**102**	**104**	**3 941**	**3 713**
Net Assets	**13 661**	**13 823**	**13 823**	**15 503**	**15 623**
Capital	12 709	12 709	12 709	9 892	9 892
Reserves	952	1 114	1 114	5 511	5 505
Retained profits	0	0	0	100	226
Total Equity	**13 661**	**13 823**	**13 823**	**15 503**	**15 623**

Comment

Most items in the Statements of Financial Position have shown changes in the 1999-00 following the take over of Racing Tasmania. Property, plant and equipment now includes buildings, racecourse leasehold improvements and computer equipment.

CASH POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receipts from customers	247 142	224 581	221 529	215 107	163 512
Other receipts	951	455	465	403	400
Interest received	697	344	190	238	290
Payments to customers	(207 233)	(188 362)	(184 474)	(178 825)	(131 457)
Payments to suppliers and employees	(14 774)	(15 429)	(15 503)	(25 561)	(30 132)
Borrowing costs	(7)	(5)	(4)	(109)	(169)
Other payments	(24 723)	(23 624)	(20 628)	(10 693)	(183)
Cash from operations	**2 052**	**(2 040)**	**1 573**	**560**	**2 260**
Proceeds from investments	2 793	2 932	1 285	1 764	2 633
Payments for investments	0	(300)	(513)	0	(41)
Payments for P, P & Equipment	(4 988)	(1 369)	(952)	(1 576)	(2 410)
Proceeds from sale of P, P & E	308	162	135	252	503
Cash used in investing activities	**(1 887)**	**1 425**	**(45)**	**441**	**685**
Transfer from Racing Tasmania	0	0	0	36	0
Cash from financing activities	**0**	**0**	**0**	**36**	**0**
Net increase in cash	**165**	**(614)**	**1 528**	**1 037**	**2 945**
Cash at the beginning of the period	842	1 007	392	1 920	2 957
Cash at end of the period	**1 007**	**392**	**1 920**	**2 957**	**5 902**

Comment

Changes in the cash position are reflected through the Statements of Financial Position and Performance.

The majority of changes in the statements are attributable to the TAB taking over the Racing Tasmania from 1 December 1999.

Both Receipts from customers and payments to customers show large decreases in 2000-01. This is due to a change in policy in respect of the determination of these amounts whereby the sums reinvested or ‘turned over’ in customers accounts have been eliminated from the cash-flows. This change has eliminated $101.350m in reinvestments from receipts from customers, but added back $20.980 in customer deposits. Similarly amounts have been eliminated from payments to customers representing dividends on winning reinvestments.

Financial Analysis

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		12 867	9 569	9 279	157	(2396)
EBIT ($'000s)		12 867	9 569	9 279	265	(2242)
Operating margin	>1.0	1.79	1.55	1.54	1.01	0.93
Return on assets		29.2%	11.8%	12.8%	0.3%	-2.4%
Return on equity	12%	47.1%	17.4%	16.8%	0.3%	-4.4%
Financial Management						
Debt to equity		0.0%	0.0%	0.0%	18.0%	17.8%
Debt to total assets		0.0%	0.0%	0.0%	11.1%	13.3%
Interest cover	>3				-	15
Current ratio	>1	1.03	1.07	1.33	1.28	0.54
Cost of debt	7.5%	N/a	N/a	N/a	0.0%	1.4%
Debt collection	30 days	10	10	6	15	14
Creditor turnover	30 days	14	16	16	32	31
Returns to Government						
Income tax paid or payable ($'000s)		0	0	0	0	362
Effective tax rate	30%	0.0%	0.0%	0.0%	0.0%	-15.1%
Total return to the State ($'000s)		0	0	0	0	362
Total return to equity ratio	7.5%	0.0%	0.0%	0.0%	0.0%	0.6%
Other information						
Staff numbers FTEs		97	95	103	98	102
Average staff costs ($'000s)		52	59	45	60	51

Comment

Result from operations, EBIT and Operating Margin reflect the downward trend in the Result from ordinary activities for the years 1996-99. The figures in years 1999-2001, reflect the changes in operations, as discussed above. In addition, Equity increased with these changes and this has resulted in a lower Return on Equity.

Current and non-current liabilities for borrowings were brought over from Racing Tasmania in 1999-00 resulting in the Cost of debt figures for 1999-00 and 2000-01. In 2000-01 the current liability for borrowing was reclassified to non-current, as required by the accounting standards. TOTE does not anticipate this debt will have to be repaid in the near future.

There was little movement in receivables between 1999-00 and 2000-01. The increase in creditor turnover for 1999-00 and 2000-01 relates to the takeover of Racing Tasmania. Debt collection has increased as a result of the takeover as well.

Average staff costs in 1999-00 are significantly higher than the other years. A comment should be made to the effect that this was influenced by redundancy costs associated with the closure of branches (TAB staffed) in that year associated with the network rationalisation, together with the additional costs associated with the assumption of Racing Tasmania (RBF super provisions of non transferring employees).

In 2000-01 TOTE became liable to pay income tax.

OVERALL COMMENT

Revenue and operating expenses and assets and liabilities increased from 1999-00 when TOTE took over Racing Tasmania. TOTE was incorporated on 5 March 2001. All assets and liabilities of TAB were transferred to TOTE.

3.4.4 TRANSEND NETWORKS PTY LTD

INTRODUCTION

Transend Networks Pty Ltd (Transend) was established under the *Electricity Companies Act 1997* and was incorporated under the Corporations Law on 17 June 1998. One share was issued to each of its two shareholders – the Treasurer and the Minister for Infrastructure, Energy and Resources.

Transend owns and operates the electricity transmission system in Tasmania – the link between power stations and the electricity distribution network.

A board of 5 directors appointed by the Government manages the Company.

As of 1 July 2000 the System Controller and other associated functions were transferred from the Hydro-Electric Corporation to Transend. Liabilities of $4.286m and assets of $2.426m were transferred, resulting in a net receipt to Transend of $1.860m excluding GST.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements were received on 26 October 2001 and an unqualified audit report was issued on 30 October 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s
Operating revenue	66 265	69 698	77 939
Total Revenue	**66 265**	**69 698**	**77 939**
Borrowing costs	382	338	1 006
Depreciation	14 080	15 457	17 454
Other operating expenses	17 098	19 592	27 899
Non-operating expenses	49	91	9 173
Total Expenses	**31 609**	**35 478**	**55 532**
Result from ordinary activities	**34 656**	**34 220**	**22 407**
Income tax expense	14 668	11 821	12 341
Result after taxation	**19 988**	**22 399**	**10 066**

Comment

The increase in Operating revenue in 2000-01 was largely due to the System Controller Fee, $8.329m.

The increase in Borrowing costs in 2000-01 was a result of a change of accounting policy. Borrowing expenses that were previously netted off against income are now reported on a gross basis.

Depreciation expenses increased in 1999-00 and 2000-01 principally due to increases in transmission asset holdings.

The increase in Other operating expenses in 2000-01 was mainly due to the additional costs of the System Controller.

Non-operating expenses in 2000-01, $9.173m, was a write-off of decommissioned assets.

The Income tax expense decreased in 1999-00 due to a reduction in the company tax rate.

FINANCIAL POSITION

	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s
Cash	1	0	0
Receivables	10 215	9 191	9 744
Investments	0	0	530
Inventories	727	489	489
Other	48	70	1 102
Total Current Assets	**10 991**	**9 750**	**11 865**
Property, plant & equipment	394 913	426 708	451 682
Other	470	394	623
Total Non-Current Assets	**395 383**	**427 102**	**452 305**
Payables	8 973	10 138	10 806
Borrowings	14 140	9 400	5 052
Provisions	16 499	15 971	16 387
Other	983	180	902
Total Current Liabilities	**40 595**	**35 689**	**33 147**
Borrowings	0	9 945	10 418
Provisions	14 636	17 311	25 248
Total Non-Current Liabilities	**14 636**	**27 256**	**35 666**
Net Assets	**351 143**	**373 907**	**395 357**
Capital	336 549	336 549	336 549
Reserves	4 600	16 164	37 639
Retained profits	9 994	21 194	21 169
Total Equity	**351 143**	**373 907**	**395 357**

Comment

Investment for 2000-01, $0.530m consisted of a cash management facility with the Tasmanian Public Finance Corporation.

Other Current Assets for 2000-01 included a prepayment of $1.000m for the Risdon substation project.

Property, plant and equipment was revalued as at 30 June 2000 to reflect the Tasmanian Electricity Code rules. This resulted in an increase in the Company's Asset Revaluation Reserve of $11.564m. There were also increases in asset holdings. The increase in 2000-01 was due to additions and revaluations, less depreciation and decommissioned assets.

Total Borrowings increased in 1999-00 to provide for the Company's capital expenditure programme, designed to improve the reliability of the State's transmission system. The decrease in 2000-01 was mainly due to overnight borrowings being replaced by longer term borrowings.

The increase in Provisions is due to both the addition of liabilities of the System Controller and an increase in the Superannuation liability as determined by the State Actuary.

Other liabilities increased to $0.902m in 2000-01 mainly due to income received in advance, being the System Controller's fee.

Each of the increases in Reserves relate to the revaluation of Transend's assets.

CASH POSITION

	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receipts from customers	60 520	70 588	87 434
Payments to suppliers and employees	(21 572)	(17 427)	(32 749)
Interest received	145	0	45
Borrowing costs	(96)	(555)	(1 124)
Taxation expense	(6 500)	(11 290)	(8 295)
Cash from operations	**32 497**	**41 316**	**45 311**
Proceeds from transfer of system controller functions	0	0	2 046
Payments for P, P & Equipment	(47 591)	(35 975)	(32 073)
Proceeds from sale of P, P & E	66	90	197
Cash used in investing activities	**(47 525)**	**(35 885)**	**(29 830)**
Proceeds from borrowings	0	10 073	5 689
Repayment of borrowings	14 140	(4 740)	(9 930)
Dividends paid	0	(9 994)	(11 199)
Cash from financing activities	**14 140**	**(4 661)**	**(15 440)**
Net increase in cash	**(888)**	**770**	**41**
Cash at the beginning of the period	1	(887)	(117)
Cash at end of the period	**(887)**	**(117)**	**(76)**

Comment

Cash flows were used to fund operating expenses, expenditure on property, plant and equipment and repayment of borrowings. This trend is expected to continue in the future.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01
Financial Performance				
Result from operations ($'000s)		34 656	34 220	22 407
EBIT ($'000s)		35 038	34 558	23 413
Operating margin	>1.0	3.88	3.56	2.79
Return on assets		8.6%	7.9%	5.0%
Return on equity		5.7%	6.0%	2.5%
Financial Management				
Debt to equity		2.9%	2.5%	2.5%
Debt to total assets		2.5%	2.1%	2.1%
Interest cover	>3	92	102	23
Current ratio	>1	0.27	0.27	0.36
Cost of debt	7.5%	2.7%	1.7%	6.5%
Debt collection	30 days	56	48	46
Creditor turnover	30 days	191	199	141
Returns to Government				
Dividends paid or payable ($'000s)		9 994	11 199	10 091
Dividend payout ratio	50%	50.0%	50.0%	100.2%
Dividend to equity ratio		2.8%	3.0%	2.6%
Income tax paid or payable ($'000s)		11 860	9 483	8 855
Effective tax rate	30%	34.2%	27.7%	39.5%
Total return to the State ($'000s)		21 854	20 682	18 946
Total return to equity ratio		6.2%	5.5%	4.8%
Other information				
Staff numbers FTEs		52	52	91
Average staff costs ($'000s)		68	78	83

Comment

The cash position of Transend has remained relatively strong since its inception in 1998.

The financial ratios reflect the need for Transend to augment revenue from ordinary activities with cash flows from borrowings to finance its ongoing capital expenditure programme.

The high Creditor turnover is due to the inclusion of capital expenditure. Nearly half of the amount of creditors at 30 June 2001 was for capital expenditure.

OVERALL COMMENT

In line with the present Government policy of returning 50% of after tax profit by way of a dividend, Transend has paid dividends of $9.994m, $11.199m and $10.091m in respect of the 1998 –99, 1999 –00 and the 2000-01 financial years.

3.4.5 TT-LINE COMPANY PTY LTD

INTRODUCTION

TT-Line Company Pty Ltd was established under the *TT-Line Arrangements Act 1993*. The core business of the Company is the provision of a passenger, vehicle and freight service between Devonport and Melbourne.

In addition, the Company agreed with its shareholders, after an initial trial in 1998-99, to operate a summer catamaran service between George Town and Melbourne for a three year period covering 2000, 2001 and 2002.

TT-Line Company Pty Ltd was incorporated on 1 November 1993 as a Company limited by shares and is registered under the Corporations Act. The shareholders of the Company are the Responsible Minister and the Treasurer.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

The Company is managed by a board of seven directors, appointed by the Government.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The financial statements of the company were signed by two Directors on 4 September 2001 and an unqualified audit report was issued on 26 September 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	61 766	73 325	80 607	77 507	81 829
Non-operating revenue	0	0	0	4	13
Total Revenue	**61 766**	**73 325**	**80 607**	**77 511**	**81 842**
Borrowing costs	4 989	4 682	4 045	3 267	2 696
Depreciation	5 567	6 170	5 748	6 040	5 970
Other operating expenses	48 626	61 438	63 409	67 968	67 808
Non-operating expenses	18	1	28	0	0
Total Expenses	**59 200**	**72 291**	**73 230**	**77 275**	**76 474**
Result from ordinary activities	**2 566**	**1 034**	**7 377**	**236**	**5 368**
Income tax expense	0	0	0	0	0
Result after taxation	**2 566**	**1 034**	**7 377**	**236**	**5 368**

Comment

The majority of the Company’s revenue is generated from ferry revenue. The 1996-97 financial period revenue was generated solely by the Spirit of Tasmania’s operations. In 1997-98 the Company commenced catamaran trials on a reduced basis to those currently operating.

The last three financial periods include the operations of the Spirit of Tasmania, which provides a regular service between Devonport and Melbourne and the summer catamaran service between George Town and Melbourne. Revenue has been consistent with the services provided by the Company, excepting the 1999-00 financial period. Revenue decreased as a result of a downturn in the operations of the service operated from George Town. The breaks in the Spirit’s operations relating to dry-docking in July 1999 and the major breakdown in September 1999 did reduce revenue, but generally the operation was above budget expectations.

Operating expenses has been consistent with the increase in services provided by the Company over the previous five-year’s operations. Depreciation expense has not changed significantly because a consistent basis of depreciation has been applied to the Company’s major asset, the Spirit of Tasmania.

Borrowing costs have decreased significantly over the past five-years due to a reduction of $28.697m in borrowings over the corresponding period.

The Company has successfully reported a profit in each of the years under review. Profits were reduced in 1997-98 due to losses on the catamaran trials totalling $3.590m and in 1999-00 by $5.430m due to the Spirit breakdown.

The strong profit performances in 1998-99 and in 2000-01 include significant losses arising from the George Town to Melbourne service.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	8 562	9 538	11 642	3 010	12 039
Receivables	3 426	3 907	5 395	5 179	4 743
Inventories	364	414	449	550	581
Other	484	413	369	799	583
Total Current Assets	**12 836**	**14 272**	**17 855**	**9 538**	**17 946**
Property, plant & equipment	115 498	110 740	109 602	105 769	101 655
Other	304	146	0	0	0
Total Non-Current Assets	**115 802**	**110 886**	**109 602**	**105 769**	**101 655**
Payables	5 488	5 942	5 466	5 708	6 999
Borrowings	7 013	12 382	12 360	2 526	16 971
Provisions	2 485	3 991	3 781	3 909	3 639
Other	4 984	4 453	5 153	4 881	5 176
Total Current Liabilities	**19 970**	**26 768**	**26 760**	**17 024**	**32 785**
Borrowings	61 242	49 706	42 573	39 810	22 587
Provisions	1 092	1 316	1 445	1 558	1 946
Total Non-Current Liabilities	**62 334**	**51 022**	**44 018**	**41 368**	**24 533**
Net Assets	**46 334**	**47 368**	**56 679**	**56 915**	**62 283**
Capital	94 568	94 568	94 568	94 568	94 568
Retained profits	(48 234)	(47 200)	(37 889)	(37 653)	(32 285)
Total Equity	**46 334**	**47 368**	**56 679**	**56 915**	**62 283**

Comment

The Company has maintained a strong cash position over the last five-years. The 1999-00 year was below the other periods because of significant loan repayments made in 1998-99. The cash balance at the end of 2000-01 will be required to fund the repayment of several large principal loans due in the 2001-02 financial period.

The balance of property, plant and equipment has reduced steadily over the previous five-years mainly as a result of the depreciation of the Spirit of Tasmania, which represents the majority of the asset balance.

Current liabilities in general have been stable over the period. The only exception relates to loan borrowings. The Company's debt portfolio is structured with both principal and interest loans and interest only loans (principal paid at termination of the loan). Consequently, a current principal repayment can have a significant effect on a particular financial period. This occurred in the three years covering 1996-97 to 1998-99. In 2000-01 the Company has made material principal repayments to finalise two loans.

As noted previously, the Company has significantly reduced its loan debt by $28.697m. This is reflected in the general reduction in non current liabilities. Provisions have increased over the corresponding period. This is attributable to an increase in the Company's superannuation liability. The Company employs a number of employees who belong to the State of Tasmania's Retirement Benefit Fund, which provides defined benefits, calculated on years of service and final average salary. The liability has been based upon external actuarial advice.

The Company has produced profits over the past five-years that has resulted in a decrease of $15.949m in accumulated losses. The reason the Company has such significant accumulated losses is a result of a material write down in the carrying amount of the Spirit of Tasmania in 1995-96, totalling $45.200m.

CASH POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receipts from customers	63 309	71 849	79 266	78 406	90 201
Payments to suppliers and employees	(46 441)	(59 182)	(63 678)	(69 755)	(74 917)
Interest received	173	465	549	469	387
Borrowing costs	(5 081)	(4 864)	(4 175)	(3 652)	(2 722)
Cash from operations	**11 960**	**8 268**	**11 962**	**5 468**	**12 949**
Payments for P, P & Equipment	(160)	(1 145)	(2 866)	(1 537)	(1 229)
Proceeds from sale of P, P & E	100	20	163	34	87
Cash used in investing activities	**(60)**	**(1 125)**	**(2 703)**	**(1 503)**	**(1 142)**
Proceeds from borrowings	0	0	227	0	0
Repayment of borrowings	(2 406)	(6 167)	(7 382)	(12 597)	(2 778)
Dividends paid					
Cash from financing activities	**(2 406)**	**(6 167)**	**(7 155)**	**(12 597)**	**(2 778)**
Net increase in cash	**9 494**	**976**	**2 104**	**(8 632)**	**9 029**
Cash at the beginning of the period	(932)	8 562	9 538	11 642	3 010
Cash at end of the period	**8 562**	**9 538**	**11 642**	**3 010**	**12 039**

Comment

As noted previously, the Company has maintained strong cash balances through its operations. This is reflected by the cash flows from operations balances. The 1999-00 cash flow from operations was below the average due to the impact of a downturn in the operations of the service operated from George Town.

Cash used in investing activities has fluctuated in the five-year period. The majority of capital works relate to the on going program of safety enhancements to ensure the Spirit of Tasmania meets the requirements of Solas 95 and the Stockholm Agreement. In 1998-99, additional capital works were undertaken to the vessel to increase vehicle carrying capacity.

The cash flows relating to the repayment of loans is consistent with the reduction in borrowing costs. As noted above, the loan portfolio includes both principal and interest loans and interest only loans.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		2 584	1 035	7 405	232	5 355
EBIT ($'000s)		7 555	5 716	11 422	3 503	8 064
Operating margin	>1.0	1.04	1.01	1.10	1.00	1.07
Return on assets		5.9%	4.5%	9.0%	2.9%	6.9%
Return on equity		5.5%	2.2%	14.2%	0.4%	9.0%
Financial Management						
Debt to equity		147.3%	131.1%	96.9%	74.4%	63.5%
Debt to total assets		53.1%	49.6%	43.1%	36.7%	33.1%
Interest cover	>3	2	1	3	1	3
Current ratio	>1	0.64	0.53	0.67	0.56	0.55
Cost of debt	7.5%	7.3%	7.2%	6.9%	6.7%	6.6%
Debt collection	30 days	20	20	25	25	21
Creditor turnover	30 days	19	24	16	19	24
Returns to Government						
Dividends paid or payable ($'000s)		0	0	0	0	0
Dividend payout ratio	50%	-	-	-	-	-
Dividend to equity ratio		-	-	-	-	-
Income tax paid or payable ($'000s)		0	0	0	0	0
Effective tax rate	0.3	-	-	-	-	-
Total return to the State ($'000s)		0	0	0	0	0
Total return to equity ratio		-	-	-	-	-
Other information						
Staff numbers FTEs		325	336	343	347	345
Average staff costs ($'000s)		41	45	46	47	49

Comment

A review of the Company's performance indicates that the return on equity has been volatile. In 1998-99 the Company recorded a strong profit of $7.377m. In the 1997-98, 1999-00 and 2000-01 financial period, profits were affected by the operations of catamaran services. In addition, the 1999-00 profit was affected by the Spirit of Tasmanian breakdown and the loss of $5.430m in revenue.

The reduction in borrowings and a corresponding reduction in accumulated losses have resulted in a significant improvement in the debt to equity ratio. In 1996-97 debt was considerably greater than equity. In 2000-01, the debt balance is approximately 60% of equity.

The Company's current ratio is below the benchmark of 1, however the impact of current principal loan repayments included in current liabilities has a significant effect. Although below the benchmark, the Company has demonstrated the ability to generate sufficient cash flows through its operations to meet all current liabilities.

The Company has not paid any dividends to date. The losses incurred by the summer catamaran service have been considered as its dividend payment, offset by the positive contribution of additional passengers brought into the state.

In relation to income taxation payments, the Company has adopted the liability method of tax effect accounting. Taxation equivalents are calculated on operating profits adjusted for permanent and timing differences. The Company has a significant permanent difference in relation to the write down of the Spirit of Tasmania's valuation, totalling $45.200m. Consequently, the taxation calculations do not result in any taxation payments being required.

OVERALL COMMENT

As noted in my report No 2 of 2000, a major breakdown on 4 September 1999 in three of the four engines on the Spirit of Tasmania resulted in a suspension of the service. The Company suffered a net loss totalling $5.430m, which included an insurance recovery of $2.023m from the Company's insurers.

The Board has undertaken all possible action to identify the cause of the breakdown but due to a number of contributing factors the exact cause will never be known. The Company has decided to finalise this matter and do not consider it possible to obtain any recovery from third parties.

3.5 PORT CORPORATIONS

The *Port Companies Act 1997* which came into effect on 30 July 1997, replaced the *Marine Act 1976* and associated legislation from that date and provided a framework for the establishment of State owned port companies.

In accordance with this Act, all Port Authorities and Marine Boards ceased operations on 29 July 1997.

All assets, rights and liabilities vested in the former Port Authorities and Marine Boards were vested in the new port Companies.

Tasmanian port corporations comprising:

- Burnie Ports Corporation Pty Ltd;
- Hobart Ports Corporation Pty Ltd;
- Port of Devonport Corporation Pty Ltd; and
- Port of Launceston Pty Ltd

have net assets of $127m, employ over 200 people, generate an estimated $48m in operating revenue, and are significant to Tasmanian trade and commerce.

The *Port Companies Act 1997* provides for the payment of guarantee fees, taxation equivalents and dividends.

The opening section to Chapter 3 on government Businesses included comment about Shareholder Value Added methodology and recommended appropriate returns on equity for commercial activities. Nominal post tax returns of the order of 7% to 8.5% are considered reasonable for government business enterprises.

The shareholding Ministers have advised the corporations that the government recognises that a key objective of the port companies is the facilitation of trade in the interests of economic development, especially in a regional sense, and that this objective must be balanced with the requirement to earn an economic rate of return.

Suggested rates of return, as medium term targets, were a pre-tax return in the range of the long-term Government bond rate (presently 6%) plus a risk margin of between 2% and 5%.

This rate of return would equate to a nominal post tax return of between 5.5% and 7.5%.

RESPONSIBLE MINISTER

The responsible Minister is the Minister for Infrastructure, Energy and Resources who with the Treasurer hold the shares in the companies.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	Burnie $'000s	Devonport $'000s	Hobart $'000s	Launceston $'000s
Operating revenue	11 513	10 748	21 756	9 135
Non-operating revenue	345	202	444	326
Total Revenue	**11 858**	**10 950**	**22 200**	**9 461**
Borrowing Costs	1 622	522	668	1 066
Depreciation	2 966	1 919	1 480	1 338
Other Operating Expenses	6 229	5 707	18 445	6 596
Non-Operating Expenses	3 576	1 734	390	0
Total Expenses	**14 393**	**9 882**	**20 983**	**9 000**
Result from ordinary activities	**(2 535)**	**1 068**	**1 217**	**461**
Income tax expense	0	852	518	180
Result after taxation	**(2 535)**	**216**	**699**	**281**

Comment

Burnie’s non-operating expenses included a $1.0m adjustment resulting from a change of lease classification, and a revaluation decrement of $2.57m relating to the Corporation’s airport. But for these items, the result from ordinary activities would have been surplus of $1.04m.

The result for Devonport was also affected by a non-operating expense of $1.7m resulting from losses on disposal of assets.

Hobart and Launceston Ports had modest gains after taxation that were largely unaffected by non-operating items.

FINANCIAL POSITION

	Burnie $'000s	Devonport $'000s	Hobart $'000s	Launceston $'000s
Cash	181	10 173	2 281	1 745
Receivables	1 127	1 767	4 948	1 693
Investments	7 108	0	0	0
Inventories	268	8	56	530
Other	39	416	57	460
Total Current Assets	**8 723**	**12 364**	**7 342**	**4 428**
Property, plant & equipment	29 614	32 599	51 352	35 609
Investments	0	0	10 230	0
Other	0	198	866	3 358
Total Non-Current Assets	**29 614**	**32 797**	**62 448**	**38 967**
Payables	342	208	3 374	469
Borrowings	2 559	1 543	2 202	809
Provisions	598	1 366	1 645	780
Other	723	562	69	677
Total Current Liabilities	**4 222**	**3 679**	**7 290**	**2 735**
Borrowings	12 950	5 975	12 095	11 382
Provisions	53	1 289	2 481	3 611
Other	4 800	0	0	0
Total Non-Current Liabilities	**17 803**	**7 264**	**14 576**	**14 993**
Net Assets	**16 312**	**34 218**	**47 924**	**25 667**
Reserves	24 024	32 936	47 132	24 454
Retained profits	(7 712)	1 282	792	1 213
Total Equity	**16 312**	**34 218**	**47 924**	**25 667**

Comment

Current investments for Burnie Port includes the proceeds from the first of two instalments of $6.0m made by Brambles Shipping as part of a new ten-year service agreement.

During the year Devonport Port reclassified its current investments as cash.

Hobart Port has non-current investments that include an interest free shareholder’s loan of $9.6m to Hobart International Airport.

Burnie Port has disclosed a non-current liability of $4.8m representing that portion of the anticipated $12.0m revenue in advance after amortisation over a ten-year period.

While $6.0m has already been received, a second instalment is outstanding at year-end.

The retained deficit of $7.7m for Burnie Port is the result of several revaluation decrements relating to port and airport assets, totalling $17.3m over the last four-years.

CASH POSITION

	Burnie $'000s	Devonport $'000s	Hobart $'000s	Launceston $'000s
Receipts from customers	18 367	10 795	23 224	9 434
Payments to suppliers and emloyees	(9 498)	(6 518)	(20 303)	(6 946)
Interest received	466	517	133	161
Borrowing costs	(1 352)	(357)	(680)	(1 143)
Taxation expense	0	(1 137)	0	0
Cash from operations	**7 983**	**3 300**	**2 374**	**1 506**
Proceeds from investments	5 270	1 355	806	17
Payments for investments	(3 378)	(1 789)	(3 425)	0
Payments for P, P & Equipment	(759)	(2 488)	(1 966)	(841)
Proceeds from sale of P, P & E	0	282	403	117
Cash used in investing activities	**1 133**	**(2 640)**	**(4 182)**	**(707)**
Proceeds from borrowings	0	26	2 767	0
Repayment of borrowings	(8 903)	(55)	(329)	(1 730)
Dividends paid	0	(621)	(540)	(604)
Cash from financing activities	**(8 903)**	**(650)**	**1 898**	**(2 334)**
Net increase in cash	**213**	**10**	**90**	**(1 535)**
Cash at the beginning of the period	(31)	(55)	2 191	3 280
Cash at end of the period	**182**	**(45)**	**2 281**	**1 745**

Comment

Cash balances for Burnie Port do not include $7.1m held as a current investment.

Devonport cash balance likewise does not include over $10.0m in investments reclassified at year-end.

FINANCIAL ANALYSIS

	Bench Mark	Burnie	Devonport	Hobart	Launceston
Financial Performance					
Result from ordinary activities ($'000s)		696	2 600	1 163	135
EBIT ($'000s)		(913)	1 590	1 885	1 527
Operating margin	>1.0	1.06	1.32	1.06	1.02
Return on assets		-2.3%	3.5%	2.8%	3.5%
Return on equity		-14.4%	0.6%	1.5%	1.1%
Financial Management					
Debt to equity		95.1%	22.0%	29.8%	47.5%
Debt to total assets		40.5%	16.6%	20.5%	28.1%
Interest cover	>3	(1)	3	3	1
Current ratio	>1	2.79	3.36	1.01	1.62
Cost of debt	7.5%	9.4%	6.9%	4.7%	8.2%
Debt collection	30 days	36	64	59	69
Creditor turnover	30 days	17	22	39	26
Returns to Government					
Dividends paid ($'000s)		0	108	540	335
Dividend payout ratio	50%	-	50%	77.3%	119.2%
Dividend to equity ratio		-	0.3%	1.1%	1.3%
Income tax expense ($'000s)		0	1 057	69	0
Effective tax rate	30%	-	99.0%	5.7%	-
Total return to the State ($'000s)		0	1 165	609	335
Total return to equity ratio		-	3.4%	1.3%	1.3%
Other information					
Staff numbers FTEs		48	41	119	38
Average staff costs ($'000s)		54	56	75	56

Comment

Burnie Port’s return on equity is affected by a large non-operating expense discussed above.

Returns from the other ports are very modest in relation to a reasonable level of return expected from commercial entities.

Burnie Port’s returns are also affected by a very high level of debt to equity that has increased as a result of recent asset write downs impacting on equity.

Only Devonport Port paid any significant tax during the year and boosted its total return to the State to 3.4% of equity.

OVERALL COMMENT

Returns on equity are generally poor (maximum of 1.5%) when compared to shareholder expectations of 5.5% to 7.5% after tax.

3.5.1 BURNIE PORT CORPORATION PTY LTD

INTRODUCTION

The *Port Companies Act 1997* which came into effect on 30 July 1997, replaced the *Marine Act 1976* and associated legislation from that date and provided a framework for the establishment of State owned port companies.

In accordance with this Act, the Burnie Port Authority ceased operations on 29 July 1997. All assets, rights and liabilities vested in the former Authority were vested in the new port Corporation. The joint shareholders of the Corporation are the Treasurer and the Minister for Infrastructure, Energy and Resources. The shareholders were issued with ordinary shares of $1 each upon incorporation.

The Board is comprised of six directors, who are appointed by the shareholders of the Corporation.

Information provided in the tables below for 1996-97 represent the operations of the former Authority to 30 June 1997 for comparative purposes only. Information provided for the year ended 30 June 1998 include operations of that former Authority to 29 July 1997 combined with the operations of the new Corporation from 30 July 1997.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The signed financial statements of the Corporation were received on 17 October 2001 and an unqualified audit report was issued on 30 October 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Operating revenue	13 101	13 013	13 501	14 114	11 513
Non-operating revenue	0	4 632	480	500	345
Total Revenue	**13 101**	**17 645**	**13 981**	**14 614**	**11 858**
Borrowing costs	1 931	2 101	1 997	1 623	1 622
Depreciation	1 945	1 823	2 351	2 220	2 966
Other operating expenses	8 574	8 623	8 207	8 212	6 229
Non-operating expenses	637	10 618	362	5 143	3 576
Total Expenses	**13 087**	**23 165**	**12 917**	**17 198**	**14 393**
Result from ordinary activities	**14**	**(5 520)**	**1 064**	**(2 584)**	**(2 535)**
Income tax expense	0	0	0	0	0
Result after taxation	**14**	**(5 520)**	**1 064**	**(2 584)**	**(2 535)**

Comment

Operating revenue steadily increased over the four year period to 1999-00. However, in 2000-01 a new service agreement with Brambles Shipping and the loss of the AAA Consortium resulted in a significant reduction in revenue.

Non operating revenue includes the amortisation of deferred revenue relating to a sale and lease back transaction on a Paceco portainer crane. The finance lease was finalised in 2000-01 and the full amount of the revenue has been amortised. The 1997-98 financial period includes as part of non operating revenue a writeback of the seaport dredging provision totalling $1.456m and the airport runway provision totalling $2.563m. The write backs were undertaken after the Corporation reviewed its policy in relation to the provision for major repairs. The airport runway writeback was based upon external advice.

Borrowing costs are consistent with the borrowings held by the Corporation. However, in 2000-01, $7.156m of loan was repaid, resulting in a saving of $0.553m in interest. Also in 2000-01, the Corporation has changed the accounting treatment in relation to a Post Panamax portainer crane previously recognised as an operating lease. The lease payments previous expensed in other operating expenses, have now been treated as an interest expense and a repayment of the lease liability. The net effect has resulted in the interest expense remaining constant over the last two years.

Depreciation expense increased in 1998-99 based upon the revalued asset values and a review of useful lives. A further increase, totalling $746m, is noted in 2000-01 as a result of the abovementioned change in lease classification. An asset (crane under finance lease) totalling $12.857m has been recognised and increased amortisation expense by $1.228m. This has been offset by a reduction in depreciation on other assets including dredging depreciation of $0.181m and wharves, jetties and breakwaters depreciation reducing by $0.212m.

Other operating expenditure has remained constant over the five-year period, excepting 2000-01, which decreased by $1.983m. This also is a result of the change in lease classification. Lease repayments under the operating lease were, prior to 2000-01 expensed under other operating expenses. In 2000-01, these payments are recorded as interest expense or offsets to the lease liability.

The net effect of the change in lease classification on results prior to 2000-01 was an expense adjustment totalling $1.006m, which is recorded in non operating expenses for 2000-01. The balance of non operating expenses also includes an asset revaluation decrement of $2.570m relating to the Corporation's airport. The revaluation was undertaken to bring the asset value in line with an independent valuation based upon the estimated sale value of the asset.

The non operating expenses in 1997-98 include a revaluation decrement of $9.568m. The Board appointed an independent Valuer to review non-current assets and the Valuation Report was adopted and a revaluation undertaken as at 30 June 1998. The valuation basis adopted by the Corporation was Deprival Value, which was based upon the discounted future net cash flows expected from the non current assets. In 1999-00 a further revaluation decrement of $5.143m was recorded in non operating expenditure arising from the use of deprival value. The decrement was a direct result of the expected reduction in net revenue arising from the new service agreement with Brambles Shipping.

The impact of the non operating adjustments over the period in review has resulted in significant losses being incurred. The losses in 1997-98 of $5.520m and 1999-00 of $2.584m are the result of the material asset decrements detailed above. The loss of $2.535m in 2000-01 is also mainly attributable to the non operating expenses relating to the $2.570m decrement in the airport valuation and the reclassification of an operating lease to a finance lease, which totalled $1.006m.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	154	375	61	0	181
Receivables	1 781	1 561	1 849	2 044	1 127
Investments	5 300	6 300	6 800	9 000	7 108
Inventories	216	253	274	262	268
Other	20	23	53	73	39
Total Current Assets	**7 471**	**8 512**	**9 037**	**11 379**	**8 723**
Property, plant & equipment	40 841	35 283	36 668	29 787	29 614
Total Non-Current Assets	**40 841**	**35 283**	**36 668**	**29 787**	**29 614**
Payables	225	197	573	427	342
Borrowings	175	1 439	2 027	8 107	2 559
Provisions	606	669	715	748	598
Other	1 676	1 416	1 306	1 931	723
Total Current Liabilities	**2 682**	**3 721**	**4 621**	**11 213**	**4 222**
Borrowings	19 746	20 826	18 798	10 722	12 950
Provisions	0	57	35	38	53
Other	0	1 294	819	345	4 800
Total Non-Current Liabilities	**19 746**	**22 177**	**19 652**	**11 105**	**17 803**
Net Assets	**25 884**	**17 897**	**21 432**	**18 848**	**16 312**
Reserves	2 465	23 390	24 024	24 025	24 024
Retained profits	23 419	(5 493)	(2 592)	(5 177)	(7 712)
Total Equity	**25 884**	**17 897**	**21 432**	**18 848**	**16 312**

Comment

Cash has remained fairly constant, except that an overdraft of $32 000 was recorded in 1999-00. The Corporation deposits excess cash funds into investments to improve its interest return. The investments have increased in each period, excepting 2000-01. This is attributable to the repayment of $7.156m in borrowings, which was offset by the receipt of the first of two instalment payments of $6.000m made by Brambles Shipping as part of the new ten year service agreement.

Debtors in 2000-01 have reduced from previous years. This is a result of the new service agreement with Brambles, who are now paying a monthly service fee instead of being charged on cargo movements.

Property, plant and equipment has decreased by $11.227m over the five-year period. As noted previously, the majority of the movement is the result of asset revaluation decrements of $9.658m in 1997-98 and $5.143m in 1999-00. The revaluation decrement in 2000-01 of $2.570m was more than offset by the reclassification of the Post Panamax portainer crane leased asset, which was recorded at a gross value of $12.858m less accumulated depreciation of $9.536m.

Current liabilities have remained fairly stable, excepting loan repayments of $8.107m in 1999-00. This reflects the accelerated repayment of loans arising from the new service agreement with Brambles shipping and the $6.000m instalment payment received in 2000-01. The current balance for 2000-01 includes an additional $0.571m in finance lease debt. Other liabilities for 2000-01 have reduced by $1.208m. This balance in previous periods has reflected accrued operating lease payments. With the reclassification of the operating lease to a finance lease, the accrual has been reduced and now only reflects the accrued interest expenses component of the lease payments.

Non current borrowings have reduced over the period in line with loan and finance lease payments. The decrease accelerated in 1999-00, as noted above. However, in 2000-01 the balance increased by $2.228m with the reclassification of the operating lease to a finance lease. Overall borrowings have decreased by $4.412m over the period under review.

For the period covering 1996-97 to 1999-00, other non current liabilities represented the profit on sale and leaseback of the Paceco crane. This was amortised over the life of the lease and was fully written off in 2000-01.

The other non current liabilities balance for 2000-01 represents the first instalment payment from Brambles Shipping of $6.000m, less one year’s amortisation. A second payment is expected in 2001-02. The total anticipated revenue in advance is $12.000m, which is amortised over the ten year term of the agreement.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	13 761	12 856	12 705	13 667	18 367
Payments to suppliers and employees	(9 143)	(8 508)	(8 130)	(7 921)	(9 498)
Interest received	251	280	330	399	466
Borrowing costs	(1 936)	(1 877)	(2 005)	(1 552)	(1 352)
Cash from operations	**2 933**	**2 751**	**2 900**	**4 593**	**7 983**
Proceeds from investments	12 700	3 900	4 100	1 800	5 270
Payments for investments	(14 800)	(4 900)	(4 600)	(4 000)	(3 378)
Payments for P, P & Equipment	(609)	(1 537)	(1 432)	(504)	(759)
Proceeds from sale of P, P & E	597	182	28	46	0
Cash used in investing activities	**(2 112)**	**(2 355)**	**(1 904)**	**(2 658)**	**1 133**
Repayment of borrowings	(1 039)	(175)	(1 310)	(2 027)	(8 903)
Dividends paid					
Cash from financing activities	**(1 039)**	**(175)**	**(1 310)**	**(2 027)**	**(8 903)**
Net increase in cash	**(218)**	**221**	**(314)**	**(92)**	**213**
Cash at the beginning of the period	372	154	375	61	(31)
Cash at end of the period	**154**	**375**	**61**	**(31)**	**182**

Comment

Receipts from customers have steadily increased since 1996-97, which reflects the increase in operating revenue. The increase in receipts from customers in 2000-01 is mainly attributable to the Brambles Shipping instalment payment of $6.000m and the impact of GST. Without the $6.000m receipt, cash flows from customers would have decreased. Payments to suppliers and employees from 1999-00 to 2000-01 increased is due to the impact of GST on supplier payments.

Cash used in investing activities has in the first four years reflected an increase in investment balances. In 2000-01, investment funds were required to repay loan debt and as a consequence there was a net inflow of cash. The payments for property, plant and equipment represent outflows for general capital works. The expenditure in 1997-98 and 1998-99 relate to land purchases, land improvement (land reclamation), new fenders for the Ro Ro berths and general wharf and pier improvement.

Cash used in refinancing activities reflects loan and finance lease repayments. As noted previously, the 2000-01 balance relates to the accelerated repayment of borrowings.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		651	466	946	2 059	696
EBIT ($'000s)		1 945	(3 419)	3 061	(961)	(913)
Operating margin	>1.0	1.05	1.04	1.08	1.17	1.06
Return on assets		4.0%	-7.4%	6.8%	-2.2%	-2.3%
Return on equity		0.1%	-25.2%	5.4%	-12.8%	-14.4%
Financial Management						
Debt to equity		77.0%	124.4%	97.2%	99.9%	95.1%
Debt to total assets		41.2%	50.8%	45.6%	45.7%	40.5%
Interest cover	>3	1	(2)	2	(1)	(1)
Current ratio	>1	2.79	2.29	1.96	1.01	2.07
Cost of debt	7.5%	9.7%	10.0%	9.3%	8.2%	9.4%
Debt collection	30 days	51	45	51	54	36
Creditor turnover	30 days	15	12	39	28	17
Returns to Government						
Dividends paid or payable ($'000s)		0	0	0	0	0
Dividend payout ratio	50%	-	-	-	-	-
Dividend to equity ratio		-	-	-	-	-
Income tax paid or payable ($'000s)		0	0	0	0	0
Effective tax rate	30%	-	-	-	-	-
Total return to the State ($'000s)		0	0	0	0	0
Total return to equity ratio		-	-	-	-	-
Other information						
Staff numbers FTEs		64	59	50	49	48
Average staff costs ($'000s)		50	48	57	55	54

Comment

Over the past five-years, the return from operations (ie: operating revenue less operating expenses) has totalled $4.818m or an annual average return of $0.963m. The result from ordinary activities before income tax and after adjusting for interest expense totalled $0.287m for the five-years or an annual average of $0.057m. the EBIT for the five-year period has been affected by the non operating asset adjustments previously noted.

The debt to equity percentage fluctuated in the 1996-97 and 1997-98 periods. However, in the last three years the percentage has remained relatively constant, which is a result of deceasing borrowings, increased finance lease commitments and increasing accumulated deficits. The interest cover ratio is below the benchmark figure due to operating losses in three of the five-years.

The cost of debt performance indicator has been above the benchmark balance in all five financial periods and has been affected by the interest rates applicable to the finance leases, which were greater than the loan debenture rates. In 2000-01 the performance indicator was affected by additional costs associated with the early repayment of a loan.

The debt collection ratio has consistently remained greater than 30 days over the period of the review. This reflects the high dollar value of invoices issued to customers and therefore outstanding at year-end. The Corporation's actual experience with debt recovery indicates that the majority of balances outstanding are recovered within a thirty day period.

The creditor turnover ration indicates the client is clearing its creditors in a suitable time frame. The 39 day ratio in 1998-99 is the result of several additional creditor balances being incurred as at balance date.

The Corporation has not paid any dividends. Negotiations with Brambles Shipping on a new service agreement resulted in the shareholders waiving dividends in respect of the 1998-99 and 1999-00 financial periods. As the Corporation recorded a loss in 1999-00, it is noted no dividend would have been payable.

There have been no income tax equivalent payments or provision for income tax payable for the five-year period due to operating losses and carried forward tax losses. At 30 June 2001, the Corporation had future income tax benefits not brought to account, which totalled $2.804m.

The average staff cost is based on total staff costs, including superannuation contributions, divided by the number of FTEs at the end of the relevant financial year. The average staff cost for 1998-99 of $57 000 is affected by a number of redundancy payments made to staff during the year.

OVERALL COMMENT

The loss of revenue in 2000-01 relating to the AAA Consortium impacted upon the non current asset values of the Corporation. This was the result of the Corporation adopting a Deprival Valuation basis. However, the quantitative impact of the reduction in revenue could not be readily assessed and the Corporation considered it prudent to adopt the cost basis of valuation in accordance with Accounting Standard AASB 1041 "Revaluation of Non-Current Assets". The Corporation intends to undertake a full revaluation of its non current assets during 2001-02.

3.5.2 HOBART PORTS CORPORATION PTY LTD

INTRODUCTION

The Hobart Ports Corporation Pty Ltd (HPC) replaced the former Marine Board of Hobart and Circular Head by virtue of the enactment of the Port Companies Act 1997. That Act also provided for the former Marine Board of King Island to become a wholly – owned subsidiary of HPC. Information provided in the tables below for 1996-97 represent the operations of the former Hobart Marine Board to 30 June 1997 for comparative purposes only. Information provided for the year ended 30 June 1998 include operations of that former Board to 29 July 1997 combined with the operations of the new corporation from 30 July 1997. Exemptions from government taxes such as sales tax, land tax, and rates ceased at incorporation with additional costs of $1.5 million per annum being incurred during the past four years.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Signed financial statements of HPC were received on 3 October 2001 and an unqualified audit report was issued on the same date.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	11 589	12 246	14 894	15 777	21 756
Non-operating revenue	601	1 592	1 000	1 051	444
Total Revenue	**12 190**	**13 838**	**15 894**	**16 828**	**22 200**
Borrowing costs	315	374	686	685	668
Depreciation	1 470	1 509	2 072	1 211	1 480
Other operating expenses	8 371	9 990	12 182	13 142	18 445
Non-operating expenses	270	337	583	1 026	390
Total Expenses	**10 426**	**12 210**	**15 523**	**16 064**	**20 983**
Result from ordinary activities	**1 764**	**1 628**	**371**	**764**	**1 217**
Income tax expense	610	155	(102)	(37)	518
Result after taxation	**1 154**	**1 473**	**473**	**801**	**699**

Comment

Operating revenue increased in 1998-99 due principally to an increase in sales revenue over the previous year, $3.294m, approximately 50% of which was attributable to expansion of its stevedoring operations. This increase was partially offset by decreases in interest income of $0.388m, and rental income, $0.259m.

Operating revenue further increased by $5.978m in 2000-01 due largely to a further expansion of stevedoring operations, $2.987m, coupled with increased rental income, from the Elizabeth Street Pier redevelopment, $1.596m. During 2000-01 King Island Ports Corporation Pty Ltd (KIPC) commenced the business of petroleum production importation and distribution on King Island, and contributed $1.680m to group operating revenue.

Non-operating income in 1996-97 includes a $0.426m debt write-off owing by the former Marine Board of Circular Head to the former Hobart Marine Board which was extinguished on amalgamation of the 2 Boards as a prelude to corporatisation. In 1997-98 the item includes the result of a debt owing by the former King Island Marine Board to the Department of Treasury and Finance written–off by that Department, $0.281m, and the fair value of land and buildings transferred from the Crown to KIPC, $0.980m. The remainder of the non-operating income each year represents the sales value on disposal of non-current assets, while the non-operating expenditure items reflect the carrying values of those assets.

HPC rationalised its staffing levels notwithstanding the investment in new revenue generating activities with redundancies of $0.550 million being paid during the four year period. Profit before tax has shown a sustained annual improvement (1998-1999 $0.371 million, 1999-00 $0.764 million, 2000-01 $1.217 million).

Over the five-year period, HPC (and the former Marine Board) returned a positive result from ordinary activities amounting to $5.744m, of which $3.662m resulted from operating activities. Corresponding numbers applicable since HPC's incorporation are $4.061m and $1.980m respectively.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	8 501	1 735	1 696	2 191	2 281
Receivables	1 080	2 513	2 877	3 490	4 948
Investments	4 313	256	256	256	0
Inventories	58	5	26	30	56
Other	322	35	59	83	57
Total Current Assets	**14 274**	**4 544**	**4 914**	**6 050**	**7 342**
Property, plant & equipment	36 014	49 964	49 641	51 631	51 352
Investments	126	5 843	5 797	5 415	10 230
Other	462	594	1 079	1 007	866
Total Non-Current Assets	**36 602**	**56 401**	**56 517**	**58 053**	**62 448**
Payables	1 858	1 987	1 753	2 262	3 374
Borrowings	278	270	294	329	2 202
Provisions	673	1 054	1 566	1 528	1 645
Other	0	0	0	0	69
Total Current Liabilities	**2 809**	**3 311**	**3 613**	**4 119**	**7 290**
Borrowings	3 175	10 305	10 010	9 681	12 095
Provisions	1 753	1 948	2 317	2 278	2 481
Other	62	0	0	0	0
Total Non-Current Liabilities	**4 990**	**12 253**	**12 327**	**11 959**	**14 576**
Net Assets	**43 077**	**45 381**	**45 491**	**48 025**	**47 924**
Reserves	10 608	45 222	45 158	47 402	47 132
Retained profits	32 469	159	333	623	792
Total Equity	**43 077**	**45 381**	**45 491**	**48 025**	**47 924**

Comment

Non-current assets of the former Marine Board of Hobart were taken over by HPC at cost and subsequently valued at directors valuation. During 1997-98 HPC invested $14.093m in property, plant and equipment, primarily sourced from cash investment funds taken over from the former marine Board, $4.439m, and new borrowings, $7.400m.

In June 1998 HPC purchased a 49% interest in Hobart International Airport Pty Ltd (HIA) for $0.269m and provided an interest free loan to that company totalling $5.574m. During 1999-00 HPC increased its shareholding in HIA to 68% at a cost of $0.423m and, during 2000-01, still further increased its holding to 98%. Conditions attaching to the various subsequent acquisitions required HPC to assume the loans of the disposing shareholders. Shareholder loans provided to HIA at 30 June 2001 totalled $9.641m of which $9.041m is interest free and in reflected in the non-current asset item, Investments. Associated with the latter acquisitions additional borrowings totalling $4.615m, provided on an interest free basis by HIA.

Despite holding 98% of the issued Ordinary Shares in HIA, the operations of HIA are not consolidated into the accounts of HPC owing to the existence of a special agreement which requires the approval of the holder of 5000 B Class Shares, Toll Transport, to approve certain matters including relating to declaration of dividends, financial and operating policies. The existence of such an agreement effectively prevents HPC from exercising control over HIA and permits HPC to equity account for its interest in the operating results of HIA. Since acquisition of its original shareholding, HPC's share of HIA's operating results has been a loss of $165 000.

On 1 July 2000 HPC elected to deem the carrying values of its property plant and equipment to be cost in accordance with Australian Accounting Standard AASB 1041 "*Revaluation of Non-Current Assets*". Consequently, the balance standing to the credit of the asset revaluation reserve at that time, $2.304m, is not available for future asset write-downs. There is no restriction on the distribution of the balance of this reserve.

CASH POSITION

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	10 683	12 954	15 277	15 879	23 224
Payments to suppliers and employees	(7 866)	(11 741)	(12 869)	(13 056)	(20 303)
Interest received	836	673	106	142	133
Borrowing costs	(315)	(443)	(664)	(671)	(680)
Taxation expense	0	0	(84)	0	0
Cash from operations	**3 338**	**1 443**	**1 766**	**2 294**	**2 374**
Proceeds from investments	0	4 457	103	440	806
Payments for investments	(240)	(6 098)	(252)	(245)	(3 425)
Payments for P, P & Equipment	(2 983)	(14 130)	(1 701)	(2 051)	(1 966)
Proceeds from sale of P, P & E	174	330	475	1 051	403
Cash used in investing activities	**(3 049)**	**(15 441)**	**(1 375)**	**(805)**	**(4 182)**
Proceeds from borrowings	0	7 400	0	0	2 767
Repayment of borrowings	(428)	(277)	(270)	(294)	(329)
Dividends paid	0	0	(160)	(700)	(540)
Cash from financing activities	**(428)**	**7 123**	**(430)**	**(994)**	**1 898**
Net increase in cash	**(139)**	**(6 875)**	**(39)**	**495**	**90**
Cash at the beginning of the period	8 640	8 610	1 735	1 696	2 191
Cash at end of the period	**8 501**	**1 735**	**1 696**	**2 191**	**2 281**

Comment

Receipts from customers (which includes the impact of GST) has increased markedly since 1996-97 due principally to the impact of stevedoring operations and increased rental income referred to earlier in this segment of the Report.

The decrease in interest receipts since 1997-98 reflects the depletion of cash investments, which when coupled with new borrowings, was used to fund a capital works program.

Over the five-year period, the existence of timing differences caused by different rates of depreciation for accounting and tax purposes has meant the HPC has paid only a minimal amount of income tax on operations. HPC currently has a provision for deferred income tax amounting to $2.380m.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		1 433	373	(46)	739	1 163
EBIT ($'000s)		2 079	2 002	1 057	1 449	1 885
Operating margin	>1.0	1.14	1.03	1.00	1.05	1.06
Return on assets		4.1%	3.6%	1.7%	2.3%	2.8%
Return on equity		2.7%	3.3%	1.0%	1.7%	1.5%
Financial Management						
Debt to equity		8.0%	23.3%	22.7%	20.8%	29.8%
Debt to total assets		6.8%	17.4%	16.8%	15.6%	20.5%
Interest cover	>3	7	5	2	2	3
Current ratio	>1	5.08	1.37	1.36	1.47	1.01
Cost of debt	7.5%	9.1%	3.5%	6.7%	6.8%	4.7%
Debt collection	30 days	37	54	50	56	59
Creditor turnover	30 days	47	48	31	51	39
Returns to Government						
Dividends paid or payable ($'000s)		0	160	700	540	540
Dividend payout ratio	50%	-	10.9%	148.0%	67.4%	77.3%
Dividend to equity ratio		-	0.4%	1.5%	1.2%	1.1%
Income tax paid or payable ($'000s)		0	86	0	0	69
Effective tax rate	30%	-	5.3%	-	-	5.7%
Total return to the State ($'000s)		0	246	700	540	609
Total return to equity ratio		-	0.6%	1.5%	1.2%	1.3%
Other information						
Staff numbers FTEs		59	59	57	130	119
Average staff costs ($'000s)		51	82	108	49	75

Comment

Over the five-years of the review, the return from operations (ie: operating revenue less operating expenses) has totalled $3.662m or an annual average return of $0.732m. After adjusting for income tax on accounting profit and interest payable on borrowings the total return was $8.472m or an annual average of $1.694m.

Returns on assets and equity have been consistently low over the period and is reflected in the low operating margin.

Total debt due by HPC at 30 June 2001 amounts to $14.297m, of which $4.615m is interest, a fact reflected in the cost of debt ratio of 4.7%.

Although dividends paid by HPC have exceeded 50% of operating activities in recent years, both the dividend to equity and, because of the existence of timing differences and carried forward tax losses, total return to equity ratios remain lower than expected of a commercially operating entity.

OVERALL COMMENT

Although HPC has recorded substantial increases in operating revenue in recent years, operating expenses also increased by similar levels so that the result from operations over the five-year period totalled $3.662m (or since incorporation of HPC, $1.980m).

The operating expense increases were heavily impacted on by Land Tax, Payroll Tax, full Council rates, Guarantee Loan Fees, and Federal Government levies, which now total some $1.5 million per annum. These were in a large part not applicable to the former Marine Board of Hobart.

Over the period since incorporation HPC has acquired a 98% ordinary shareholding in HIA and has provided $9.641m in loans to that company of which $9.041m is interest free. HPC's share of operating results of HIA has amounted to a loss of $165 000 to 30 June 2001.

Despite holding 98% of issued ordinary shares, the existence of a special agreement with the holder of Class B shares, Toll Transport, ensures that HPC can only influence, but not control the operations of HIA. Consequently the activities of the airport are not consolidated with those of HPC with only HPC's share of the profit or loss of HIA's activities for the year accounted for in HPC's accounting records.

Total returns to the State of both dividends and income tax over the five-year period total $2.095m or an average return of $0.419m. All returns to the State referred to resulted from operations after incorporation. The percentage return to equity ratio indicates that returns to the State are less than those expected from a commercial operation. This return, however, has to be taken in context of the principal objective of HPC, as determined by the State Government which is the facilitation of trade for the economic benefit of the State. HPC will continue to diversify its activities to meet this objective whilst maximising the return on assets where possible. The profit before tax trend continues to improve and should lead to acceptable returns to the State over time.

3.5.3 PORT OF DEVONPORT CORPORATION PTY LTD

INTRODUCTION

The *Port Companies Act 1997* which came into effect on 30 July 1997, replaced the *Marine Act 1976* and associated legislation from that date and provided a framework for the establishment of State owned port companies.

In accordance with this Act, the Port of Devonport Authority ceased operations on 29 July 1997. All assets, rights and liabilities vested in the former Authority were vested in the new port Corporation. The joint shareholders of the Corporation are the Treasurer and the Minister for Infrastructure, Energy and Resources. The shareholders were issued with ordinary shares of $1 each upon incorporation.

The Board is comprised of seven directors, whose appointment is approved by the shareholders of the Corporation.

Information provided in the tables below for 1996-97 represent the operations of the former Authority to 30 June 1997 for comparative purposes only. Information provided for the year ended 30 June 1998 include operations of that former Authority to 29 July 1997 combined with the operations of the new Corporation from 30 July 1997.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

The signed financial statements of the Corporation were received on 21 September 2001 and an unqualified audit report was issued on 26 September 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	9 711	9 752	9 776	10 388	10 748
Non-operating revenue	80	124	49	19	202
Total Revenue	**9 791**	**9 876**	**9 825**	**10 407**	**10 950**
Borrowing costs	633	558	681	627	522
Depreciation	1 513	1 373	2 409	1 850	1 919
Other operating expenses	6 594	6 127	5 599	5 711	5 707
Non-operating expenses	6	368	733	150	1 734
Total Expenses	**8 746**	**8 426**	**9 422**	**8 338**	**9 882**
Result from ordinary activities	**1 045**	**1 450**	**403**	**2 069**	**1 068**
Income tax expense	374	503	385	848	852
Result after taxation	**671**	**947**	**18**	**1 221**	**216**

Comment

Operating revenue has steadily increased over the past five-years from $9.711m in 1996-97 to $10.748m in 2000-01. The increase in operating revenue is principally due to increased revenue from the seaport and airport operations. The increase from 1998-99 to 1999-00 of $0.612m is mainly due to increased seaport revenue of $0.323m, which is a reflection of the increased cargo throughput compared to the prior year. Airport revenue also increased by $0.22m due to increased passenger numbers and an increase in landing and passenger charges.

Non-operating revenue in 1997-98 of $0.124m comprised the net gain on disposal of assets. Similarly, the non-operating revenue in 2000-01 of $0.202m comprised the net gain of disposal of assets of $0.126m and a gain on refinancing of debenture loans of $0.076m. During 2000-01, the Corporation refinanced its loan portfolio with Tascorp. As a result of the restructure, a net gain of $0.026m was recognised, which was accounted for as revenue of $0.076m and expenditure of $0.050m.

Non-operating expenses totalled $1.734m in 2000-01. This amount is comprised of losses on disposal of assets of $1.684m and the loss on refinancing of debenture loans of $0.050m noted above. The increased loss on disposal of assets is due to the write-off of buildings in East Devonport. The Corporation purchased a number of properties in 1999-00 and 2000-01 and subsequently demolished some of the buildings for future development of the area.

Depreciation expense for 1998-99 of $2.409m includes $0.522m relating to depreciation adjustments upon the reassessment of the estimated useful lives of non-current assets. This amount was disclosed as an abnormal item in the 1998-99 financial statements.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	728	408	1	1	10 173
Receivables	1 226	1 412	1 481	1 390	1 767
Investments	11 090	11 789	8 516	9 188	0
Inventories	74	77	8	6	8
Other	102	96	200	300	416
Total Current Assets	**13 220**	**13 782**	**10 206**	**10 885**	**12 364**
Property, plant & equipment	24 929	26 858	34 127	33 870	32 599
Investments	550	550	550	550	0
Other	251	1 565	229	226	198
Total Non-Current Assets	**25 730**	**28 973**	**34 906**	**34 646**	**32 797**
Payables	98	83	212	143	208
Borrowings	874	1 058	1 030	1 039	1 543
Provisions	763	1 072	672	1 972	1 366
Other	472	653	331	218	562
Total Current Liabilities	**2 207**	**2 866**	**2 245**	**3 372**	**3 679**
Borrowings	5 601	6 543	7 526	6 543	5 975
Provisions	1 235	1 439	1 526	1 506	1 289
Total Non-Current Liabilities	**6 836**	**7 982**	**9 052**	**8 049**	**7 264**
Net Assets	**29 907**	**31 907**	**33 815**	**34 110**	**34 218**
Reserves	3 000	31 027	33 049	33 049	32 936
Retained profits	26 907	880	766	1 061	1 282
Total Equity	**29 907**	**31 907**	**33 815**	**34 110**	**34 218**

Comment

Non-current assets of the former Authority were taken over by the Corporation at cost. On 1 July 2000, the Corporation elected to deem the carrying values of its property, plant and equipment to be cost in accordance with Australian Accounting Standard AASB 1041 "*Revaluation of Non-Current Assets*". Consequently, the balance of the asset revaluation reserve at 30 June 2000 of $0.113m was written back against equity in accordance with the provisions of AASB 1041.

The movements in cash and investment balances from 1999-00 to 2000-01 are due to the reclassification of financial information as a result of the application of the new AASB 1040 *"Statement of Financial Position"*. Current and non-current investments at 30 June 2000 of $9.738m were reclassified as cash assets in accordance with the definitions contained in AASB 1040.

The increase in property, plant and equipment from 1997-98 to 1998-99 of $7.269m is mainly attributable to work on the Sayers Point capital dredging project. The project, which commenced in 1997-98, was completed in September 1998 at a total cost of $8.300m. The project extended the vessel-swinging basin and was funded by borrowings of $4m and cash held by the Corporation.

The increase in current borrowings from 30 June 2000 to30 June 2001 of $0.504m is offset by a similar decrease in the non-current liability. The movement between current and non-current liabilities is due to the debt restructure that was undertaken by the Corporation during 2000-01.

The increase in reserves from 1996-97 to 1997-98 of $28.027m is mainly due to the creation of an Equity on Formation Reserve of $29.974m.

The balance of reserves increased by $2.023m from 30 June 1998 to 30 June 1999 due to transfers to reserves of $1.910m and an asset revaluation increment of $0.113m. The transfers to reserves represented a proportion of the reversal of maintenance provisions, which were previously recognised as a liability by the Corporation. In accordance with the provisions of Urgent Issues Group Consensus Views (UIG) Abstract 26 *"Accounting for Major Cyclical Maintenance",* the Corporation reversed the balance of maintenance provisions for capital dredging and airport runway re-sheeting against retained profits. The adjustment to retained profits, net of any tax effect, was $2.217m.

CASH POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from customers	9 262	9 245	9 544	9 978	10 795
Payments to suppliers and employees	(6 510)	(5 779)	(7 153)	(5 419)	(6 518)
Interest received	854	654	525	550	517
Borrowing costs	(653)	(571)	(696)	(642)	(357)
Taxation expense	(192)	(227)	(512)	(794)	(1 137)
Cash from operations	**2 761**	**3 322**	**1 708**	**3 673**	**3 300**
Proceeds from investments	0	0	3 273	0	1 355
Payments for investments	(271)	(699)	0	(672)	(1 789)
Payments for P, P & Equipment	(1 171)	(4 374)	(6 040)	(1 837)	(2 488)
Proceeds from sale of P, P & E	209	304	138	114	282
Cash used in investing activities	**(1 233)**	**(4 769)**	**(2 629)**	**(2 395)**	**(2 640)**
Proceeds from borrowings	0	2 000	2 000	0	26
Repayment of borrowings	(718)	(874)	(1 058)	(1 017)	(55)
Dividends paid	0	0	(440)	(304)	(621)
Cash from financing activities	**(718)**	**1 126**	**502**	**(1 321)**	**(650)**
Net increase in cash	**810**	**(321)**	**(419)**	**(43)**	**10**
Cash at the beginning of the period	(82)	728	407	(12)	(55)
Cash at end of the period	**728**	**407**	**(12)**	**(55)**	**(45)**

Comment

Receipts from customers have steadily increased since 1996-97, which reflects the increase in operating revenue. The marked increase in receipts from customers and payments to suppliers in 2000-01 is due to the impact of the GST.

The decrease in borrowing costs paid during 2000-01 is attributable to the debt restructure and the resulting changes to payment amounts and dates.

The payments for property, plant and equipment in 1997-98 and 1998-99 of $4.374m and $6.040m respectively, include payments relating to the Sayers Point Capital Dredging Project. The project was partly funded by cash held by the Corporation, reflected by the proceeds from investments in 1998-99 of $3.273m. The remainder of the funding was through borrowings, reflected in proceeds from borrowing recorded in both the 1997-98 and 1998-99 years.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		971	1 694	1 087	2 200	2 600
EBIT ($'000s)		1 678	2 008	1 084	2 696	1 590
Operating margin	>1.0	1.11	1.21	1.13	1.27	1.32
Return on assets		4.3%	4.9%	2.5%	5.9%	3.5%
Return on equity		2.2%	3.1%	0.1%	3.6%	0.6%
Financial Management						
Debt to equity		21.7%	23.8%	25.3%	22.2%	22.0%
Debt to total assets		16.6%	17.8%	19.0%	16.7%	16.6%
Interest cover	>3	3	4	2	4	3
Current ratio	>1	5.99	4.81	4.55	3.23	3.36
Cost of debt	7.5%	9.8%	7.9%	8.4%	7.8%	6.9%
Debt collection	30 days	51	57	58	52	64
Creditor turnover	30 days	9	8	25	15	22
Returns to Government						
Dividends paid or payable ($'000s)		0	440	304	621	108
Dividend payout ratio	50%	-	46.5%	1688.9%	50.9%	50.0%
Dividend to equity ratio		-	1.4%	0.9%	1.8%	0.3%
Income tax paid or payable ($'000s)		155	503	206	827	1 057
Effective tax rate	30%	14.8%	34.7%	51.1%	40.0%	99.0%
Total return to the State ($'000s)		155	943	510	1 448	1 165
Total return to equity ratio		0.5%	3.1%	1.6%	4.3%	3.4%
Other information						
Staff numbers FTEs		50	47	42	42	41
Average staff costs ($'000s)		52	50	60	53	56

Comment

Over the past five-years, the return from operations (i.e. operating revenue less operating expenses) has totalled $8.552m or an annual average return of $1.710m. The result from ordinary activities before income tax and after adjusting for interest expense totalled $9.056m for the five-years or an annual average of $1.811m.

The debt to equity and debt to total assets ratios have decreased since 1998-99 following the completion of the Sayers Point project. The cost of debt (interest expense divided by average borrowings outstanding) has gradually decreased and for 2000-01 was calculated as 6.9%.

The debt collection ratio has consistently remained greater than 30 days over the period of the review. This reflects the high dollar value of invoices issued to customers and therefore outstanding at year-end.

Since incorporation, the dividend payout ratio has represented 50% of the Corporation's after tax profit, except for 1998-99. The ratio was significantly higher for this year due to the Corporation recording a profit from ordinary activities after tax of only $18 000. The profit had been adjusted by abnormal expenditure of $847 000 relating to depreciation adjustments of $522 000 and scrapping of fixed assets of $325 000.

Total returns to the State from both dividends and income tax paid or payable over the five-year period total $4.221m or an average return of $0.844m per annum.

The average staff costs is based on total staff costs, including superannuation contributions, divided by the number of FTEs at the end of the relevant financial year. The average staff cost for 1998-99 of $60 000 is affected by a number of redundancy payments made to staff during the year.

OVERALL COMMENT

The audit of the accounts for the 2000-01 year was completed with satisfactory results, with no audit issues outstanding.

3.5.4 PORT OF LAUNCESTON PTY LTD

INTRODUCTION

The *Port Companies Act 1997,* which came into effect on 30 July 1997, replaced the *Marine Act 1976* and associated legislation from that date and provided a framework for the establishment of State owned port companies.

In accordance with this Act, the Port of Launceston Pty Ltd replaced the former Port of Launceston Authority. In addition, the Flinders Island Marine Board was replaced by the Flinders Island Ports Company Pty Ltd, which became a wholly-owned subsidiary of the Port of Launceston Company. Under the Act, the former entities ceased operations on 29 July 1997, with all assets, rights and liabilities vesting in the new Companies. The joint shareholders of the Port of Launceston are the Treasurer and the Minister for Infrastructure, Energy and Resources. Upon incorporation, the then shareholders were issued with ordinary shares of $1 each. The Port of Launceston is the sole shareholder of the Flinders Island Port Company.

The Board of the Port of Launceston Pty Ltd is comprised of six directors, whose appointment is made by the shareholders of the Company.

Information provided in the tables below for 1996-97 represent the operations of the former Port of Launceston Authority to 30 June 1997 for comparative purposes only. Information provided for the year ended 30 June 1998 include operations of that former Authority to 29 July 1997 combined with the operations of the new Company (including the Flinders Island subsidiary) from 30 July 1997.

Any future reference to Company relates to the economic entity, which includes the Flinders Island subsidiary.

AUDIT OF THE 2000-2001 FINANCIAL STATEMENTS

Initial signed financial statements were received on 28 September 2001, with amended statements received on 2 October 2001. An unqualified audit report was issued on 9 October 2001.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Operating revenue	6 980	7 669	7 667	9 851	9 135
Non-operating revenue	92	119	501	385	326
Total Revenue	**7 072**	**7 788**	**8 168**	**10 236**	**9 461**
Borrowing costs	1 415	1 432	1 397	1 194	1 066
Depreciation	1 708	1 526	1 467	1 376	1 338
Other operating expenses	4 707	5 286	5 086	6 205	6 596
Non-operating expenses	92	2 697	30	29	0
Total Expenses	**7 922**	**10 941**	**7 980**	**8 804**	**9 000**
Result from ordinary activities	**(850)**	**(3 153)**	**188**	**1 432**	**461**
Income tax expense	(288)	(758)	(285)	259	180
Result after taxation	**(562)**	**(2 395)**	**473**	**1 173**	**281**

Comment

The Company returned to profitable trading in 1998-99 when it recorded a surplus before tax of $0.188m. The loss of $3.153m recorded in 1997-98 was mainly due to increased non-operating expenses, of which $2.056m related to a change in depreciation policy for Harbour Improvements.

Operating revenue for 1999-00 was $2.184m above the prior year due to the inclusion of $2m relating to the settlement of a writ issued by the Company. Increased expenses of $0.826m offset this increased revenue. The increase in expenditure was mainly attributable to maintenance undertaken on port access roads during the financial year.

Had the writ settlement proceeds been excluded from the 1999-00 operating revenue, then revenue would have increased by $1.284m during the 2000-01 year. The major reasons for the increased revenue are a combination of the decision by the AAA Consortium to operate exclusively from Bell Bay, increased exports by most of the Port's major customers, and increased revenue from maintenance contracts.

FINANCIAL POSITION

	1996-97	1997-98	1998-99	1999-00	2000-01
	$'000s	$'000s	$'000s	$'000s	$'000s
Cash	330	272	713	50	1 745
Receivables	1 034	1 200	1 076	1 187	1 693
Investments	2 100	915	520	3 259	0
Inventories	254	271	257	555	530
Other	0	2	148	79	460
Total Current Assets	**3 718**	**2 660**	**2 714**	**5 130**	**4 428**
Property, plant & equipment	43 369	40 243	38 815	36 205	35 609
Investments	40	0	0	0	0
Other	0	0	3 805	3 226	3 358
Total Non-Current Assets	**43 409**	**40 243**	**42 620**	**39 431**	**38 967**
Payables	231	267	321	62	469
Borrowings	1 166	2 130	1 386	1 729	809
Provisions	392	408	610	440	780
Other	386	372	322	534	677
Total Current Liabilities	**2 175**	**3 177**	**2 639**	**2 765**	**2 735**
Borrowings	16 026	14 354	13 922	12 193	11 382
Provisions	824	91	3 622	3 278	3 611
Total Non-Current Liabilities	**16 850**	**14 445**	**17 544**	**15 471**	**14 993**
Net Assets	**28 102**	**25 281**	**25 151**	**26 325**	**25 667**
Reserves	2 628	829	24 454	24 454	24 454
Retained profits	25 474	24 452	697	1 871	1 213
Total Equity	**28 102**	**25 281**	**25 151**	**26 325**	**25 667**

Comment

The movements in cash and investment balances from 1999-00 to 2000-01 are due to the reclassification of financial information as a result of the application of the new AASB 1040 *"Statement of Financial Position"*. Investments at 30 June 2000 of $3.259m were reclassified as cash assets in accordance with the definitions contained in AASB 1040.

The increase in other non-current assets and non-current provisions in 1998-99 is due to tax assets and liabilities no longer being disclosed on a net basis. This change in disclosure is in accordance with AASB 1020 "Accounting for Income Tax (Tax-effect Accounting)".

The amount of borrowings outstanding has decreased from $17.192m at 30 June 1997 to $12.191m at 30 June 2001, which is due to regular loan repayments and no new borrowings since 1998-99.

Equity on Formation Reserve of $24.078m was created in 1998-99 out of the previous years retained profits. The balance of this reserve represents the combined equity of the former Authority and Marine Board at the date of incorporation.

CASH POSITION

	1996-97 $'000s	1997-98 $'000s	1998-99 $'000s	1999-00 $'000s	2000-01 $'000s
Receipts from customers	6 734	7 416	7 596	9 724	9 434
Payments to suppliers and employees	(4 544)	(5 206)	(4 996)	(6 222)	(6 946)
Interest received	212	88	49	137	161
Borrowing costs	(1 405)	(1 445)	(1 404)	(1 322)	(1 143)
Cash from operations	**997**	**853**	**1 245**	**2 317**	**1 506**
Proceeds from investments	18 300	10 109	394	0	17
Payments for investments	(17 400)	(8 800)	0	(2 739)	0
Payments for P, P & Equipment	(3 662)	(2 957)	(690)	(879)	(841)
Proceeds from sale of P, P & E	491	1 435	669	2 174	117
Cash used in investing activities	**(2 271)**	**(213)**	**373**	**(1 444)**	**(707)**
Proceeds from borrowings	2 000	0	512	0	0
Repayment of borrowings	(697)	(722)	(1 689)	(1 386)	(1 730)
Dividends paid	0	0	0	(150)	(604)
Cash from financing activities	**1 303**	**(722)**	**(1 177)**	**(1 536)**	**(2 334)**
Net increase in cash	**29**	**(82)**	**441**	**(663)**	**(1 535)**
Cash at the beginning of the period	301	354	272	713	3 280
Cash at end of the period	**330**	**272**	**713**	**50**	**1 745**

Comment

The balance of cash held by the Company has decreased by $1.535m during 2000-01. The decrease is mainly attributable to the increased repayment of borrowings and the payment of a dividend to the State Government of $0.604m for the 1999-00 year. The difference between the closing balance of cash for 1999-00 ($0.050m) and the opening balance for 2000-01 ($3.280m) is due to the reclassification between cash and investments following the application of AASB 1040.

FINANCIAL ANALYSIS

	Bench Mark	1996-97	1997-98	1998-99	1999-00	2000-01
Financial Performance						
Result from operations ($'000s)		(850)	(575)	(283)	1 076	135
EBIT ($'000s)		565	(1 721)	1 585	2 626	1 527
Operating margin	>1.0	0.89	0.93	0.96	1.12	1.02
Return on assets		1.2%	-3.8%	3.6%	5.8%	3.5%
Return on equity		-2.0%	-9.0%	1.9%	4.6%	1.1%
Financial Management						
Debt to equity		61.2%	65.2%	60.9%	52.9%	47.5%
Debt to total assets		36.5%	38.4%	33.8%	31.2%	28.1%
Interest cover	>3	0	- 1	1	2	1
Current ratio	>1	1.71	0.84	1.03	1.86	1.62
Cost of debt	7.5%	8.2%	8.5%	8.8%	8.2%	8.2%
Debt collection	30 days	56	58	52	56	69
Creditor turnover	30 days	18	18	23	4	26
Returns to Government						
Dividends paid or payable ($'000s)		0	0	150	604	335
Dividend payout ratio	50%	-	-	31.7%	51.5%	119.2%
Dividend to equity ratio		-	-	0.6%	2.3%	1.3%
Total return to the State ($'000s)		0	0	150	604	335
Total return to equity ratio		-	-	0.6%	2.3%	1.3%
Other information						
Staff numbers FTEs		46	45	45	39	38
Average staff costs ($'000s)		50	59	53	57	56

Comment

The Company has recorded operating profits of $1.076 in 1999-00 and $0.135m in 2000-01. The results from ordinary activities before income tax and after adjusting for interest expense amounted to $2.626m and $1.527m for the same years. These results clearly have a positive impact on the operating margin, which is now above the benchmark of one.

It is noted that the returns on equity and assets have improved over the past three financial years. However, the return on equity is far less than would be expected from a commercial operation and remains below the benchmark of 12%.

Since returning to profitable trading in 1998-99, the Company has paid and/or provided for dividends to the State Government totalling $1.089m. No income tax equivalent payments have been made due to the existence of carried forward tax losses.

The average staff costs is based on total staff costs divided by the number of FTEs at the end of the relevant financial year. The average staff costs for 1997-98 of $59 000 is affected by the payment of redundancies to employees during the year.

OVERALL COMMENT

Total returns to the State from both dividends and income tax paid or payable over the five-year period total $1.089m or an average return of $0.218m per annum.

The audit of the accounts for the 2000-01 financial year was completed satisfactorily with no major issues noted.