Queensland Government

2002-03
Report on State Finances
of the Queensland Government
year ended 30 June 2003

incorporating the Outcomes Report
and the Consolidated Financial Statements

Contents

Message from the Treasurer

Message from the Treasurer

As outlined in the Charter of Social and Fiscal Responsibility, the Government is committed to fiscal transparency and accountability. This year, the Outcomes Report and Consolidated Financial Statements are included in the same document to provide a comprehensive view of the financial operations and position of the Queensland Government.

A key objective of this report is to facilitate a meaningful assessment of the State's financial performance over the 2002-03 financial year and its net worth at balance date.

Only those entities assessed as likely to impact materially on the State's financial activities are accounted for in this report.

In endorsing this report, I place on record my appreciation of the professionalism and co-operation extended to Queensland Treasury by agency personnel and of the Treasury staff involved in its preparation.

Terry Mackenroth
Treasurer

Scope of the Report

The State Finance report combines the following two reports for 2002-03 to provide a broader analysis of Government finances:

- The Outcomes Report
- The Consolidated Financial Statements

Each report gives a different focus on Government finances. The Consolidated Financial Statements outline the operations of the Queensland Government including valuation adjustments on assets and liabilities. The Outcomes Report removes valuation adjustments to reflect costs more appropriately related to the underlying operations of Government.

The Outcomes Report

The Outcomes Report contains financial statements that are prepared and presented on a Government Finance Statistics (GFS) basis and in accordance with the Uniform Presentation Framework (UPF) agreed to at the 1991 Premiers' Conference. The primary objective of the UPF is to ensure that Commonwealth, State and Territory governments provide a common 'core' of financial information. One of the Government's key fiscal principles is the maintenance of a General Government operating surplus as measured in Government Finance Statistics terms.

Accordingly, Queensland's annual Budget is prepared in accordance with the framework and the Outcomes Report compares achieved financial results with budget forecasts.

The UPF presentation is primarily structured on a sectoral basis with a focus on the General Government and Public Non-financial Corporations sectors.

The Consolidated Financial Statements

The Consolidated Financial Statements outline the operations of the Queensland Government on an accrual basis in accordance with Australian Accounting Standard AAS31 *Financial Reporting by Governments* and other applicable standards. Accordingly, the statements present the operating result, financial position and cash flows of the Queensland Total State sector on a consolidated basis. These include the General Government, Public Non-financial Corporations and Public Financial Corporations sectors.

The Consolidated Financial Statements focus on the Total State sector, reflecting the government's approach to whole-of-Government reporting. Financial statements for the General Government, Public Non-financial Corporations and Public Financial Corporations sectors are disclosed in the disaggregated information note to the financial statements (Note 2).

Refer Note 39 for a full list of consolidated entities.

Related Publications

This report comprises one of a number of key publications relating to the financial performance of the Queensland Public Sector including:

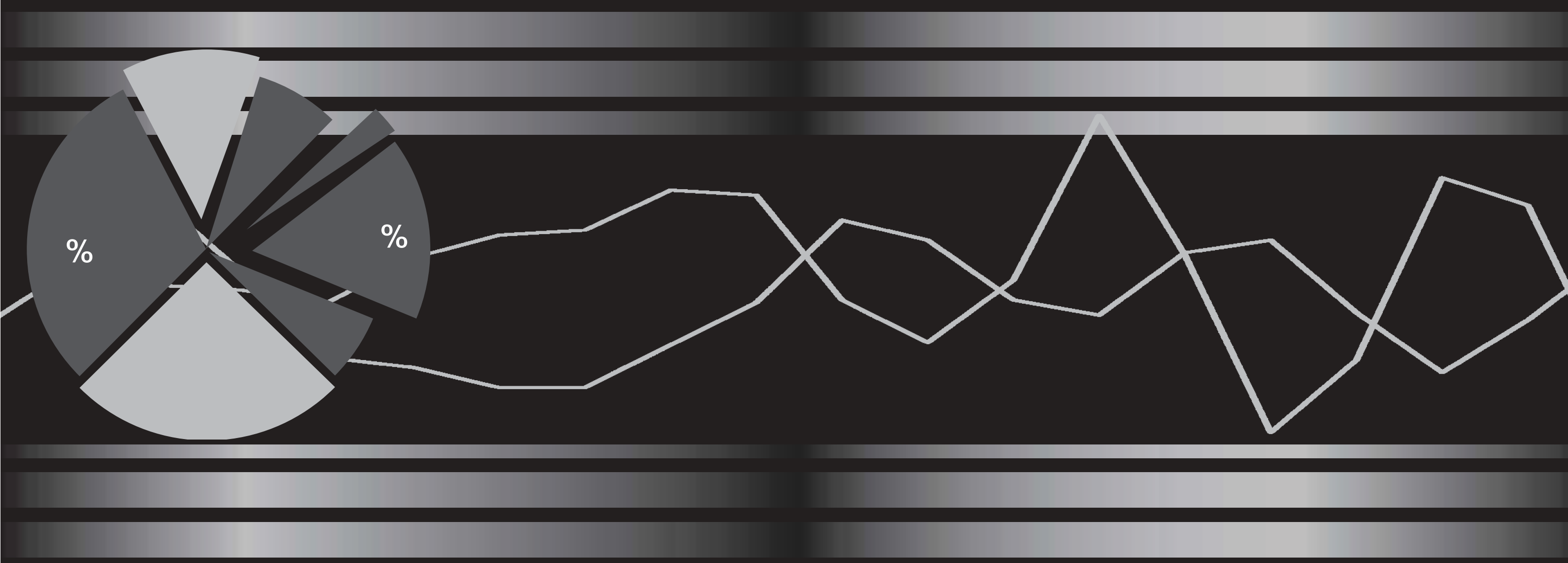
- the annual Budget papers
- the Treasurer's Appropriation Statement
- the annual reports of the various departments, statutory bodies, Government owned corporations and other entities that comprise the Queensland Government.

Queensland Government

2002-03

Outcomes Report

Uniform Presentation Framework of the Queensland Government year ended 30 June 2003



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Overview and Analysis

Overview

- A GFS operating surplus of $15 million for 2002-03 was recorded in the General Government sector, an improvement of $365 million over that estimated at the time of the 2003-04 Budget, due largely to improvements across a range of revenue items. Total expenses finished the year broadly in line with Budget expectations.

- The underlying operating result for 2002-03 in the General Government sector (adjusted for comparable superannuation arrangements) is a surplus of $824 million, an increase of $237 million over forecast.

- A GFS cash surplus of $645 million was recorded for 2002-03 in the General Government sector. This is $594 million higher than the 2003-04 Budget estimated actual of $51 million.

- The State's net worth increased to $64,894 million as at 30 June 2003, an improvement of $6,202 million over the estimated actual forecast of $58,692 million.

- The Government has met all of its fiscal commitments under the Charter of Social and Fiscal Responsibility - see page 4-02.

Summary of Key GFS Financial Aggregates

The GFS results for the General Government sector contained in this report indicate that Queensland has performed more strongly than expected at the time of the 2003-04 Budget. The key aggregates of the General Government sector have all shown significant improvement:

	General Government Sector		Public Non-financial Corporations Sector		Non-financial Public Sector	
	Est. Actual $ million	Actual $ million	Est. Actual $ million	Actual $ million	Est. Actual $ million	Actual $ million
Revenue	19,913	20,256	7,335	7,751	24,772	25,423
Expenses	20,263	20,241	7,551	7,803	25,337	25,460
Net Operating Balance	**(350)**	**15**	**(216)**	**(52)**	**(565)**	**(37)**
Net Lending/Borrowing	(769)	(140)	(873)	(894)	(1,640)	(1,034)
Cash Surplus/(Deficit)	**51**	**645**	**(583)**	**(722)**	**(530)**	**(78)**
Gross Fixed Capital Formation	1,779	1,607	1,776	1,948	3,554	3,556
Net Worth	**58,692**	**64,894**	**12,644**	**12,096**	**58,692**	**64,894**
Net Debt	**(10,636)**	**(11,260)**	**10,949**	**11,479**	**313**	**219**

Overview and Analysis

Meeting the Government's Fiscal Commitments

The Government has met all of its fiscal commitments under the Charter of Social and Fiscal Responsibility:

Achievement of Fiscal Principles of the Queensland Government		
Principle	**Achievement**	**Indicator**
Competitive tax environment The Government will ensure that State taxes and charges remain competitive with the other states and territories.		Taxation revenue per capita: Qld: $1,462/capita Other States: $1,870/capita.
Affordable service provision The Government will ensure that its level of service provision is sustainable by maintaining an overall General Government operating surplus, as measured in Government Finance Statistics terms.		GFS surplus of $15 million.
Capital funding Borrowings or other financial arrangements will only be undertaken for capital investments and only where these can be serviced within the operating surplus, consistent with maintaining a AAA credit rating.		GG borrowings $96 million & GG total purchases of non-financial assets $2,232 million. AAA credit rating confirmed by Fitch, Moody's and Standard & Poor's (highest rating available).
Managing financial risk The Government will ensure that the State's financial assets cover all accruing and expected future liabilities of the General Government sector.		GG net financial worth: $10,980 million.
Building the State's net worth The Government will at least maintain and seek to increase Total State net worth.		Net worth increased by $6.801 billion to $64.9 billion.

Net Operating Balance

The GFS operating result for 2002-03 in the General Government sector is a surplus of $15 million, an improvement of $365 million over that forecast at the time of the 2003-04 Budget. This improvement was mainly the result of stronger than expected revenue growth.

Investment returns were 1.1% higher than expected at the time of the 2003-04 Budget (negative 3%), contributing to an overall increase in interest income of $119 million. Despite this improvement, investment markets still performed poorly during 2002-03 recording a result of negative 1.86%.

In the absence of poor investment returns, the 2002-03 operating result would have been a large surplus.

Investment market volatility impacts on the Queensland Budget more in GFS terms than it does for other states. This is in part due to differences in the way Queensland's public sector superannuation arrangements are structured. If Queensland's superannuation arrangements were structured on the same basis as generally applies in other states, the General Government sector underlying operating result for 2002-03 would be a surplus of $824 million, as outlined below:

Calculation of Underlying Result	2002-03 Actual $ million
Operating Balance	15
Less Investment Earnings on Defined Benefit Superannuation Assets	(179)
Plus Nominal Superannuation Expense	630
Underlying Balance	**824**

Overview and Analysis

Revenue	Est. Actual $ million	Actual $ million
Taxation revenue	5,511	5,598
Current grants and subsidies	10,071	10,175
Capital grants	477	510
Sales of goods and services	1,880	1,964
Interest income	(247)	(128)
Other	2,221	2,138
Total Revenue	**19,913**	**20,256**

Revenue increased by $343 million (1.7%) over the 2002-03 estimated actual:

- Taxation revenue increased by $87 million, reflecting higher than estimated payroll tax, and duties collections.

- Increased grants and subsidies revenue of $104 million, largely the result of a change in treatment of Community Service Obligation (CSO) refunds from electricity retailers (previously budgeted as an offset against CSO expenditure).

- Higher than expected sales of goods and services revenue across a range of agencies.

- The improvement in equity markets resulted in an $119 million increase in interest income relative to estimates.

- Other revenue decreased by $83 million reflecting lower dividend receipts.

Expenses	Est. Actual $ million	Actual $ million
Gross operating expenses		
Employee expenses	9,244	9,303
Other operating expenses	3,706	3,799
Depreciation	1,396	1,460
Superannuation interest expense	642	630
Other interest expense	225	220
Current transfers	4,325	4,271
Capital transfers	725	558
Total Expenses	**20,263**	**20,241**

Total expenses are broadly in line with that forecast at the time of the 2003-04 Budget:

- Employee expenses increased marginally from the level forecast at the time of the 2003-04 Budget. This small increase mostly reflects the impact of recently negotiated enterprise bargaining agreements.

- Other operating expenses comprise the non-labour costs of providing services such as maintenance, consultancies, electricity and communications. Other operating expenses is $93 million greater than expected and reflects minor changes to these items across all agencies.

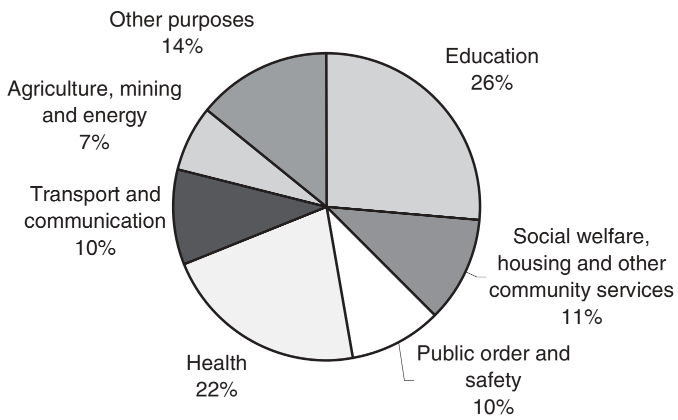
- Depreciation expense has increased by $64 million and is predominantly due to further review of the calculation of depreciation expense by the Department of Housing.

- Current and capital transfers include grants and subsidies to the community, the First Home Owners Grant scheme, community service obligation payments to the Government owned corporations and capital grants to local governments and non-government entities. The payment of current and capital transfers is driven largely by demand and the meeting of conditions for these programs.

Overview and Analysis

General Government expenditure is focussed on the delivery of core services to the community. As indicated in the chart, education accounts for the largest share of expenses (26%), followed by health (22%) and social welfare, housing and other community services (11%).

Expenses by Function (General Government sector)
($20,241 million)



Cash Surplus

A cash surplus of $645 million was recorded for the 2002-03 financial year in the General Government sector, an increase of $594 million over the 2002-03 estimated actual. Net cash flows from operating activities were $367 million higher than estimated, again reflecting improvements across a range of revenue items. Lower than estimated purchases of non-financial assets reflects the end of year carryover of some capital allocations from 2002-03 to 2003-04.

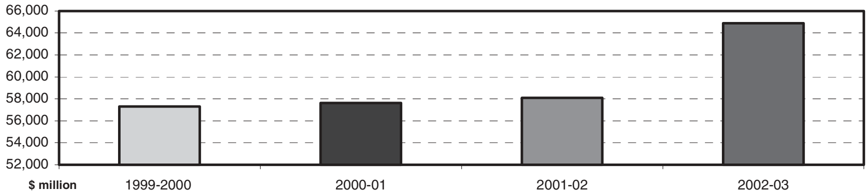
Net Worth

The Charter of Social and Fiscal Responsibility specifically requires the Government to maintain and seek to increase total State net worth.

The State's net worth increased to $64,894 million as at 30 June 2003. This is $6,202 million higher than the forecast of $58,692 million, and is $6,801 million higher than the net worth as at 30 June 2002. The increase in net worth compared to the estimated actual is primarily the result of a number of asset revaluations carried out during the year, and also reflects the improvement in the State's operating position.

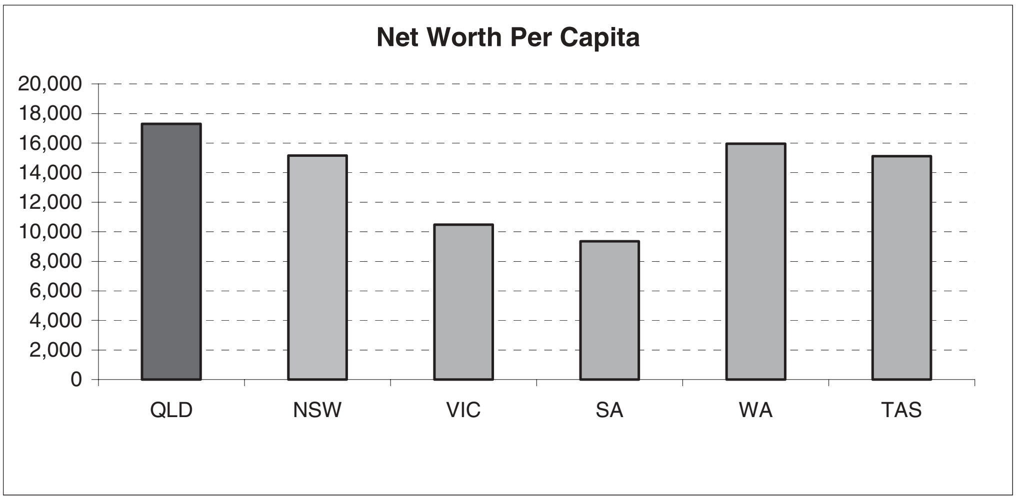
In 2002-03, the Department of Main Roads applied an improved revaluation methodology to the State's roads/bridges infrastructure resulting in a $3,266 million upward revaluation. In addition, higher valuations of Crown land administered by the Department of Natural Resources ($1,684 million), and increased valuations for land and dwellings maintained by the Department of Housing ($1,424 million) contributed to the improved net worth recorded by the State.

Total Net Worth



Overview and Analysis

The chart below illustrates the State's strong net worth compared with the other states.

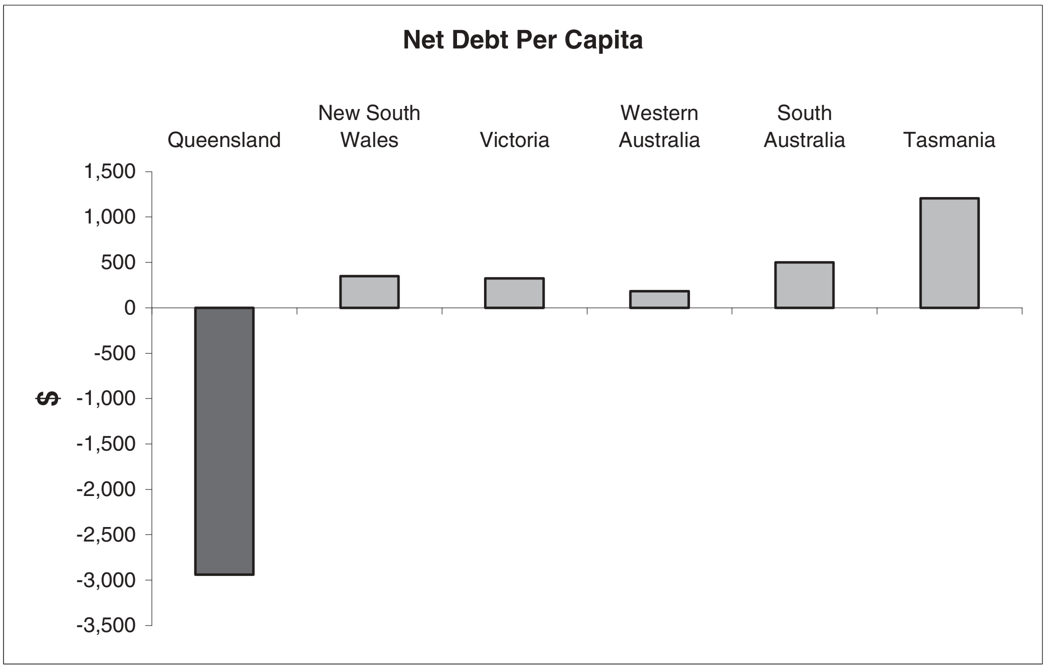


Source: New South Wales, Victoria, South Australia, Western Australia and Tasmania 2003-04 Budget Papers.

Net Debt

Net debt is the most common measure used to judge the overall strength of a jurisdiction's fiscal position. High levels of net debt impose a call on future revenue flows to service that debt and meeting these payments can limit government flexibility to adjust outlays.

In 2002-03 there has been a further strengthening of the General Government's already strong net debt position, from an estimated negative $10,636 million to a negative $11,260 million.



Source: WA Outcome Results; New South Wales, Victoria, South Australia and Tasmania, 2003-04 Budget Papers.

Overview and Analysis

Public Non-financial Corporations (PNFC) Sector

The PNFC sector comprises bodies that provide goods and services that are mainly market, non-regulatory and non-financial in nature. PNFCs are financed through sales to consumers of their goods and services and may be supplemented by explicit government subsidy to satisfy community service obligations.

- The net operating result improved from an estimated deficit of $216 million to a deficit of $52 million. Additional revenue from Government owned corporations sale of goods and services and increased grants and subsidies was only partly offset by higher expenses, mainly in the form of non-employee expenses.
- The cash deficit increased from an estimated $583 million to $722 million. The major reason for this was the delay in the completion and partial sale of an interest in Tarong North Power Station.
- The net worth of the PNFC sector decreased from $12,644 million to $12,096 million, primarily reflecting the establishment of a provision for onerous contracts relating to the State's Power Purchasing Agreements.

State Financial Sector (Total State)

The Total State includes all State Government departments and statutory authorities, public non-financial corporations, public financial corporations and their controlled entities. All material inter-entity and intra-entity transactions and balances have been eliminated to the extent practicable.

- A net operating surplus of $161 million was recorded in 2002-03, reflecting the strong performance of the Public Financial Corporations sector.
- A Total State cash surplus of $374 million was achieved in 2002-03 after allowing for purchases of non-financial assets of $4,054 million.
- In 2002-03 there has been a further strengthening of the Total State's net debt position to negative $2,174 million.

Operating Statement by Sector

Operating Statement 2002-03 ($million) - by sector [(b)]

		General Government Sector		Public Non-financial Corporations Sector		Non-financial Public Sector		Public Financial Corporations Sector	State Financial Sector
		Est.Act	Actual	Est.Act	Actual	Est.Act	Actual	Actual (a)	Actual (a)
	GFS Revenue								
	Taxation revenue	5,511	5,598	-	-	5,164	5,295	-	5,291
	Current grants and subsidies	10,071	10,175	855	948	10,008	9,997	-	9,978
	Capital grants	477	510	50	58	519	555	-	555
	Sales of goods and services	1,880	1,964	6,021	6,323	7,807	8,161	750	8,766
	Interest income	(247)	(128)	78	85	(182)	(45)	1,660	598
	Other	2,221	2,138	331	337	1,456	1,460	1	1,422
	Total Revenue	**19,913**	**20,256**	**7,335**	**7,751**	**24,772**	**25,423**	**2,412**	**26,608**
less	**GFS Expenses**								
	Gross operating expenses								
	Employee expenses	9,244	9,303	1,471	1,386	10,664	10,689	101	10,668
	Other operating expenses	3,706	3,799	3,081	3,350	6,418	6,688	633	7,297
	Depreciation	1,396	1,460	1,125	1,159	2,521	2,619	10	2,630
	Superannuation interest expense	642	630	-	-	642	630	-	630
	Other interest expense	225	220	726	777	938	995	1,406	1,381
	Other property expenses	-	-	1,118	999	-	-	37	-
	Current transfers	4,325	4,271	27	132	3,437	3,292	27	3,295
	Capital transfers	725	558	3	-	717	547	-	547
	Total Expenses	**20,263**	**20,241**	**7,551**	**7,803**	**25,337**	**25,460**	**2,214**	**26,447**
equals	**GFS net operating balance**	**(350)**	**15**	**(216)**	**(52)**	**(565)**	**(37)**	**198**	**161**
less	**Net acquisition of non-financial assets**								
	Purchases of non-financial assets	2,410	2,232	2,216	2,076	4,362	4,054	49	4,104
	Sales of non-financial assets	(587)	(636)	(464)	(142)	(788)	(524)	(4)	(528)
	less Depreciation	1,396	1,460	1,125	1,159	2,521	2,619	10	2,630
	plus Change in inventories	36	9	6	52	42	60	-	60
	plus Other movements in non-financial assets	(44)	11	24	14	(20)	26	-	26
	equals Total net acquisition of non-financial assets	419	155	657	841	1,075	997	35	1,031
equals	**GFS Net lending/(borrowing) (Fiscal balance)**	**(769)**	**(140)**	**(873)**	**(894)**	**(1,640)**	**(1,034)**	**163**	**(870)**

(a) In accordance with UPF requirements, estimates for Public Financial Corporations and State Financial sectors are not included in Budget documentation.

(b) Numbers may not add due to rounding.

Balance Sheet by Sector

Balance Sheet 2002-03 ($million) - by sector [b]

	General Government Sector		Public Non-financial Corporations Sector		Non-financial Public Sector		Public Financial Corporations Sector	State Financial Sector
	Est.Act	Actual	Est.Act	Actual	Est.Act	Actual	Actual (a)	Actual (a)
Assets								
Financial assets								
Cash and deposits	1,167	1,613	942	1,078	2,109	2,691	16	300
Advances paid	149	164	-	-	130	147	-	147
Investments, loans and placements	13,003	13,173	902	901	13,828	14,007	28,794	26,451
Other non-equity assets	4,231	4,435	1,274	1,750	2,345	2,993	179	2,973
Equity	13,328	12,775	41	54	759	767	2	84
Total financial assets	**31,878**	**32,161**	**3,159**	**3,784**	**19,171**	**20,606**	**28,990**	**29,955**
Non-financial assets	47,395	53,914	26,124	26,561	73,484	80,442	81	80,522
Total assets	**79,273**	**86,075**	**29,283**	**30,345**	**92,655**	**101,048**	**29,071**	**110,477**
Liabilities								
Deposits held	-	-	92	82	92	82	4,197	1,843
Borrowing	3,683	3,690	12,701	13,376	16,288	16,983	22,219	22,881
Superannuation liability	11,668	11,770	-	-	11,668	11,770	-	11,770
Other employee entitlements and provisions	3,178	3,583	3,110	3,669	3,377	4,191	1,765	5,782
Other non-equity liabilities	2,052	2,138	736	1,122	2,538	3,128	205	3,307
Total liabilities	**20,581**	**21,181**	**16,639**	**18,249**	**33,963**	**36,154**	**28,387**	**45,583**
Net Worth	**58,692**	**64,894**	**12,644**	**12,096**	**58,692**	**64,894**	**684**	**64,894**
Net financial worth	11,297	10,980	(13,480)	(14,465)	(14,792)	(15,548)	603	(15,628)
Net debt	(10,636)	(11,260)	10,949	11,479	313	219	(2,393)	(2,174)

(a) In accordance with UPF requirements, estimates for Public Financial Corporations and State Financial sectors are not included in Budget documentation.

(b) Numbers may not add due to rounding.

Cash Flow Statement by Sector

Cash Flow Statement 2002-03 ($million) - by sector [b]

	General Government Sector		Public Non-financial Corporations Sector		Non-financial Public Sector		Public Financial Corporations Sector	State Financial Sector
	Est.Act	Actual	Est.Act	Actual	Est.Act	Actual	Actual (a)	Actual (a)
Receipts from operating activities								
Taxes received	5,511	5,603	-	-	5,164	5,291	-	5,282
Grants and subsidies received	10,527	10,693	888	985	10,560	10,556	-	10,537
Sales of goods and services	2,086	2,042	6,918	6,784	8,836	8,744	777	9,402
Other receipts	2,092	2,363	789	750	1,982	2,267	2,235	3,405
Total	**20,216**	**20,701**	**8,595**	**8,520**	**26,542**	**26,858**	**3,012**	**28,625**
Payments for operating activities								
Payments for goods and services	(12,540)	(12,856)	(4,828)	(4,663)	(16,999)	(17,424)	(127)	(17,402)
Grants and subsidies	(4,937)	(4,724)	(11)	(129)	(4,116)	(3,686)	(22)	(3,688)
Interest	(227)	(215)	(709)	(847)	(867)	(996)	(1,651)	(1,650)
Other payments	(638)	(666)	(978)	(873)	(1,516)	(1,300)	(619)	(1,936)
Total	**(18,342)**	**(18,461)**	**(6,526)**	**(6,513)**	**(23,498)**	**(23,406)**	**(2,419)**	**(24,676)**
Net cash inflows from operating activities	**1,874**	**2,241**	**2,069**	**2,008**	**3,044**	**3,453**	**593**	**3,949**
Payments for investments in non-financial assets								
Purchases of non-financial assets	(2,410)	(2,232)	(2,216)	(2,076)	(4,362)	(4,054)	(49)	(4,104)
Sales of non-financial assets	587	636	464	142	788	524	4	528
Total	**(1,823)**	**(1,596)**	**(1,752)**	**(1,934)**	**(3,574)**	**(3,530)**	**(45)**	**(3,575)**
Payments for investments in financial assets for policy purposes	**(367)**	**(380)**	**48**	**54**	**(9)**	**5**	**-**	**5**
Payments for investments in financial assets for liquidity purposes	**134**	**74**	**31**	**(67)**	**177**	**(26)**	**627**	**53**
Receipts from financing activities								
Advances received (net)	-	-	(9)	-	(9)	-	-	-
Borrowing (net)	168	96	393	728	549	869	(1,723)	(286)
Deposits received (net)	-	-	21	10	21	10	622	41
Distributions paid	-	-	(900)	(796)	-	-	(77)	-
Other financing (net)	-	-	310	343	-	-	5	5
Total	**168**	**96**	**(185)**	**285**	**561**	**879**	**(1,173)**	**(240)**
Net increase/(decrease) in cash held	**(14)**	**434**	**211**	**346**	**199**	**781**	**2**	**192**
Net cash from operating activities and investments in non-financial assets	51	645	317	73	(530)	(78)	548	374
less Distributions paid	-	-	(900)	(796)	-	-	(77)	-
GFS Surplus/(deficit)	**51**	**645**	**(583)**	**(722)**	**(530)**	**(78)**	**471**	**374**

(a) In accordance with UPF requirements, estimates for Public Financial Corporations and State Financial sectors are not included in Budget documentation.

(b) Numbers may not add due to rounding.

General Government Sector Expenses by Function

	Actual 2002-2003 $ million
General Public Services	873
Other general public services	873
Public Order and Safety	1,946
Police and fire protection services	1,107
Law courts and legal services	392
Prisons and corrective services	371
Other public order and safety	76
Education	5,346
Primary and secondary education	4,125
Tertiary education	581
Pre-school education and education not definable by level	485
Transportation of students	129
Education n.e.c.	26
Health	4,370
Acute care institutions	2,764
Mental health institutions	152
Nursing homes for the aged	121
Community health services	1,064
Public health services	148
Health research	55
Health administration n.e.c.	66
Social Security	827
Welfare services	821
Social security and welfare n.e.c.	6
Housing and Community Amenities	936
Housing and community development	810
Water supply	10
Sanitation and protection of the environment	78
Other community amenities	38
Recreation and Culture	505
Recreation facilities and services	327
Cultural facilities and services	175
Recreation and culture n.e.c.	3

	Actual 2002-2003 $ million
Fuel and Energy	710
Fuel affairs and services	474
Electricity and other energy	236
Agriculture, Forestry, Fishing and Hunting	612
Agriculture	549
Forestry, fishing and hunting	63
Mining and mineral resources other than fuels; manufacturing; and construction	72
Mining and mineral resources other than fuels	45
Construction	27
Transport and Communications	2,055
Road transport	1,149
Water transport	88
Rail transport	670
Air transport	2
Other transport	110
Communications	36
Other Economic Affairs	676
Tourism and area promotion	117
Labour and employment affairs	304
Other economic affairs	255
Other Purposes	1,314
Nominal superannuation interest	630
Public debt transactions	212
General purpose inter-government transactions	420
Natural disaster relief	31
Other purposes n.e.c.	21
Total	**20,241**

General Government Sector Purchases of Non-financial Assets by Function & Loan Council Allocation

General Government Sector
Purchases of Non-financial Assets by Function

	2002-03 Actual $ million
General public services	229
Public order and safety	187
Education	280
Health	251
Social security and welfare	11
Housing and community amenities	150
Recreation and culture	217
Agriculture, forestry, fishing and hunting	48
Transport and communications	713
Other economic affairs	146
Total	**2,232**

Loan Council Allocation

The Australian Loan Council requires all jurisdictions to advise the Loan Council Allocations (LCA) outcome for the last financial year as part of the annual Outcomes Report. The LCA represents each Government's call on financial markets for a given financial year.

	2002-03 Actual $ million
General Government sector Cash Deficit/(Surplus)[1]	(645)
PNFC sector Cash Deficit/(Surplus)[1]	722
Non-financial Public sector Cash Deficit/(Surplus)[1]	**78**
Net cash flows from investments in financial assets for policy purposes	(5)
Memorandum Items[2]	117
LOAN COUNCIL ALLOCATION	**190**

Notes:
1. Figures in brackets represent surpluses
2. Other memorandum items include operating leases and local government borrowings.

Certification of Outcomes Report

Certification by the Under Treasurer and Assistant Under Treasurer

The foregoing Outcomes Report contains financial statements prepared and presented on a Government Finance Statistics (GFS) basis and is in accordance with the Uniform Presentation Framework (UPF) agreed to at the 1991 Premiers' Conference. In addition, Queensland's Loan Council Allocation and disclosure of General Government expenses by purpose are included.

The financial statements separately disclose outcomes for the General Government, Public Non-financial Corporations, Public Financial Corporations and State Financial sectors within Queensland. Entities excluded from this report include local governments. Queensland public sector entities consolidated for this report are listed in the Consolidated Financial Statements, taking into account intra and inter-agency eliminations.

Only those agencies considered material by virtue of their financial transactions and balances are consolidated in the report.

In our opinion, we certify that the Outcomes Report has been properly drawn up, in accordance with GFS principles and UPF requirements, to present a true and fair view of:

(i) the financial performance and cashflows of the Queensland State Government for the financial year; and

(ii) the financial position of the Government at 30 June 2003.

At date of certification of the report, we are not aware of any material circumstances that would render any particulars included in the Outcomes Report misleading or inaccurate.

Walter Ivessa Assistant Under Treasurer	Gerard Bradley Under Treasurer

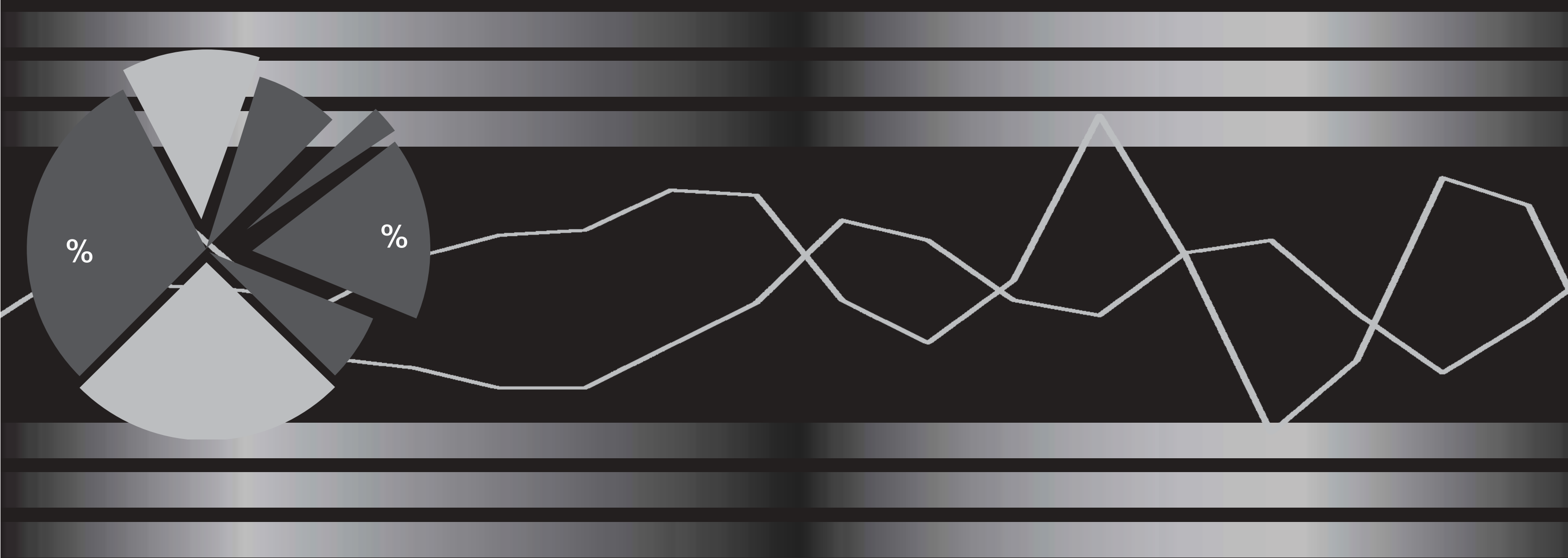
Date 10 October 2003

Queensland
Government

2002-03

Consolidated Financial Statements

of the Queensland Government
year ended 30 June 2003



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Consolidated Financial Statements - Overview and Analysis

The following analysis compares current year Total State performance, on an accounting basis, with last year's audited results.

Overview

- An operating deficit for the State of $1,290 million for 2002-03 was recorded, an improvement of $645 million from 2001-02, due largely to increased Commonwealth grants, higher taxation revenues and improved interest earnings. These improvements were partially offset by increased revaluations of superannuation liabilities and insurance provisions.

- Investment income on assets set aside to meet future superannuation liabilities achieved a negative 1.86% rate of return in 2002-03, an improvement on 2001-02's rate of negative 5%. As the actuarially applied long-term earning rate for superannuation liability is 7.5%, additional superannuation expense of $685 million was recorded by the State in 2002-03.

- The State's net assets position increased to $64,894 million at 30 June 2003, an improvement of $6,801 million over 2001-02, principally due to upward revaluations of non-financial assets such as land, building/dwellings and major infrastructure.

Summary of Key Financial Aggregates of the Consolidated Financial Statements

The table below provides aggregate information for 2002-03 under Australian Accounting Standards principles:

Total State	2003 $ million	2002 $ million
Revenue		
Commonwealth and other grants	10,574	10,021
Sales of goods and services	8,300	8,168
Taxes, fees and fines	5,936	5,082
Investment income	715	296
Royalties and other territorial income	769	812
Other	862	580
	27,156	24,959
Expenses		
Employee expenses	12,050	10,925
Supplies and services	6,290	6,035
Depreciation and amortisation	2,646	2,615
Grants and other contributions	3,800	3,922
Borrowing costs expense	1,392	1,494
Share of deficit of associates using equity method	18	17
Other	2,250	1,886
	28,446	26,894
Net Surplus/(Deficit)	**(1,290)**	**(1,935)**
Assets	110,466	100,911
Liabilities	45,572	42,818
Net Assets	**64,894**	**58,093**

Consolidated Financial Statements – Overview and Analysis

Operating Result

The whole-of-Government operating result after tax and extraordinary items for the year 2002-03 was a deficit of $1,290 million (2001-02, $1,935 million deficit).

The deficit is primarily a result of significant market value adjustments relating to superannuation and interest/market value shifts during 2002-03:

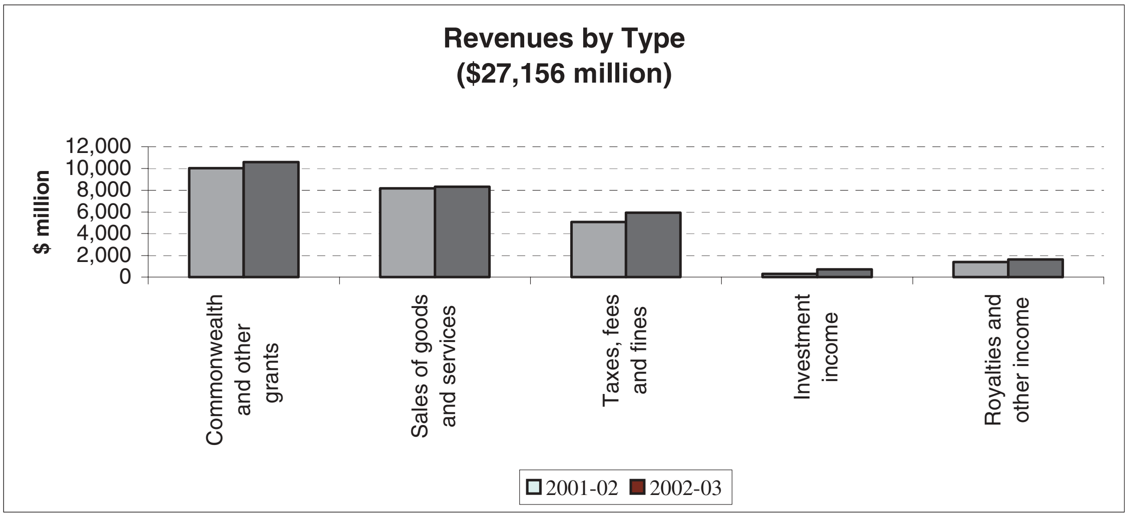
- for the second consecutive year, investment returns on assets set aside to meet future defined benefit superannuation liabilities achieved a negative rate of return, this year negative 1.86% or -$179 million. As the actuarially applied long-term earning rate for superannuation liability is 7.5%, additional superannuation expense of $685 million was recorded by the State in 2002-03.

- net unrealised losses on financial instruments amounted to $625 million in 2002-03 ($291 million in 2001-02). These primarily relate to the impact of lower interest rates increasing the market value of the State's debt portfolio.

Revenue

Total revenue from ordinary activities for 2002-03 was $27,156 million, an increase of $2,197 million (8.8%) from 2001-02 ($24,959 million).

Changes in revenues by type are illustrated in the following chart:



Commonwealth and other grants comprised 38.9% of total State revenue in 2002-03 and grew from $10,021 million in 2001-02 to $10,574 million in 2002-03 (an increase of $553 million), primarily reflecting growth in the GST pool and the application of parameter adjustments.

Taxation revenue increased by $454 million during the year from $1,728 million in 2001-02 to $2,182 million, reflecting continued high levels of activity in the property market.

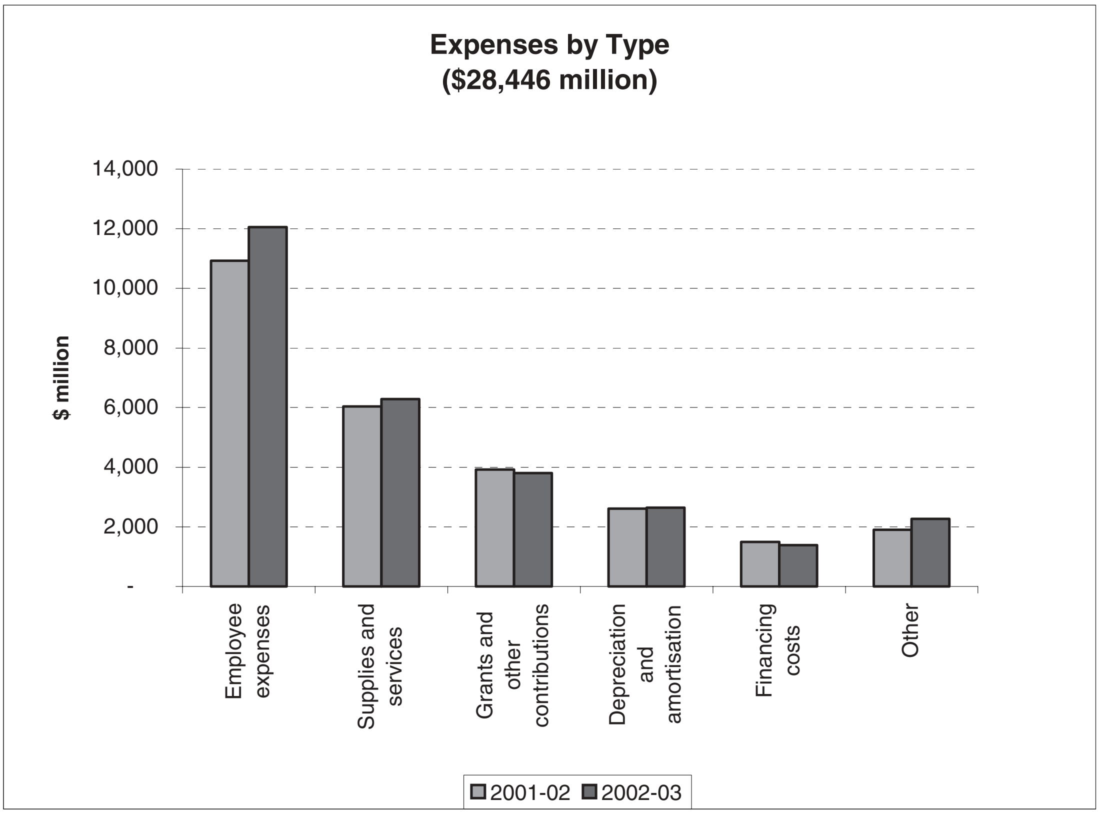
Investment income increased by $419 million to $715 million in 2002-03, reflecting the improved but nonetheless poor performance of domestic and international equity markets.

Consolidated Financial Statements – Overview and Analysis

Expenses

The State's expenses for 2002-03 totalled $28,446 million, an increase of $1,552 million (5.8%) from 2001-02 ($26,894 million).

Changes in expenses by type are illustrated in the following chart:



The largest expense increase in 2002-03 was for employee expenses at $12,050 million compared to $10,925 million in 2001-02.

Increases in employee expenses can be further split into costs associated with the State's defined benefit superannuation scheme (which is subject to substantial movements arising from volatile market returns) and other employee expenses. Other employee expenses were $10,735 million, an increase of $581 million (5.7%) over the 2001-02 figure of $10,154 million.

The growth in employee expenses in 2002-03 reflects higher wages as a result of recent enterprise bargaining agreements, as well as additional staffing for the implementation of expanded and enhanced services, particularly in relation to the departments of Education, Health and Police.

Investment income on assets set aside to meet future superannuation liabilities achieved a negative 1.86% rate of return in 2002-03, an improvement on the 2001-02 rate of negative 5%. As the actuarially applied long-term earning rate for superannuation liability is 7.5%, additional superannuation expense of $685 million was recorded by the State in 2002-03.

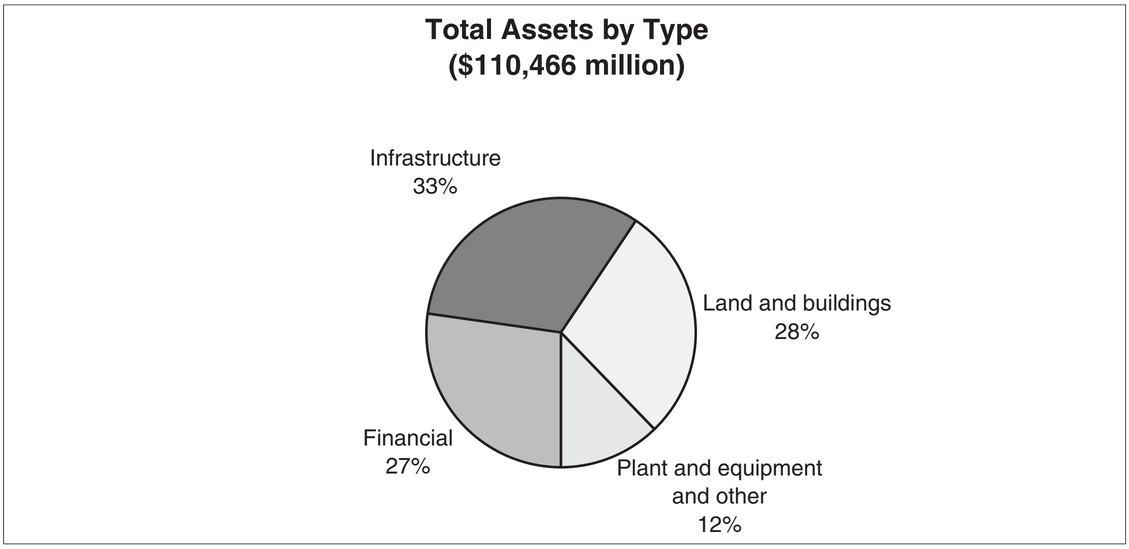
Consolidated Financial Statements – Overview and Analysis

Assets

Assets controlled by the Government at 30 June 2003 totalled $110,466 million (2002, $100,911 million). The increase in assets mainly reflects revaluations of land, infrastructure and plant and equipment.

- In 2002-03, the Department of Main Roads applied an improved revaluation methodology to the State's roads/bridges infrastructure resulting in a $3,266 million upward revaluation. In addition, higher valuations of Crown land administered by the Department of Natural Resources $1,684 million, and increased valuations for land and dwellings maintained by the Department of Housing $1,424 million, contributed to the growth in value of assets under State control.

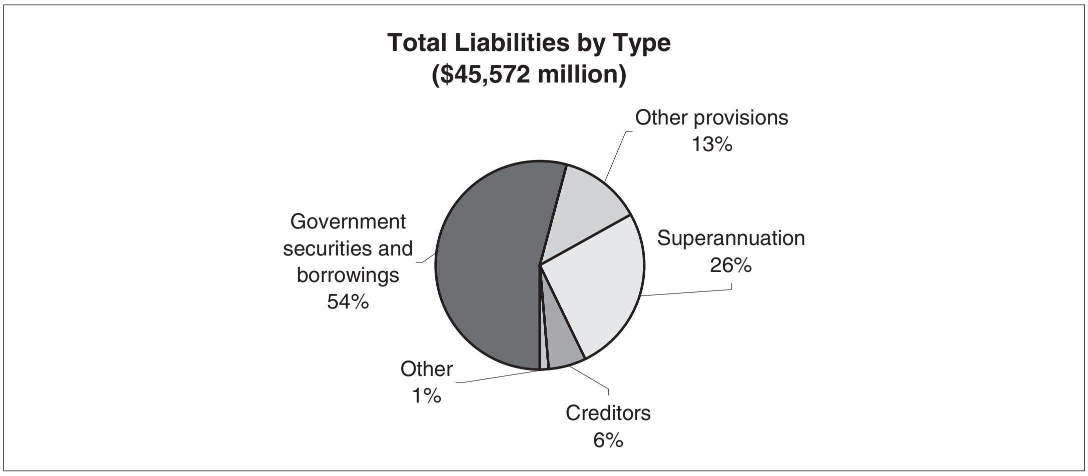
The main types of assets are detailed in the following chart:



Liabilities

The total liabilities of the Queensland Government at 30 June 2003 were $45,572 million, an increase of $2,754 million over 2001-2002 ($42,818 million). The increase mainly reflects changes in the State's superannuation and insurance provisions. In addition, the adoption of AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* resulted in the recording of a provision for onerous contracts for Power Purchase Agreements previously disclosed as contingent liabilities in 2001-02.

The components of State liabilities are illustrated in the following chart:



Consolidated Financial Statements – Overview and Analysis

Maintenance of Credit Ratings

Queensland's strong credit rating position is illustrated in the following table:

	Fitch Ratings	*Moody's Investors Services*	*Standard & Poor's*
Long-term local currency rating	AAA	Aaa	AAA
Short-term rating	F1+	P-1	A-1+
Long-term foreign currency rating	AA+	Aaa	AAA

These ratings are the highest available.

Because of these strong ratings, the Queensland Treasury Corporation continues to be in a position to borrow at advantageous interest rates.

Queensland's debt ratio (total liabilities to total assets) at 30 June 2003 was 41.3 percent (2002, 42.4 percent).

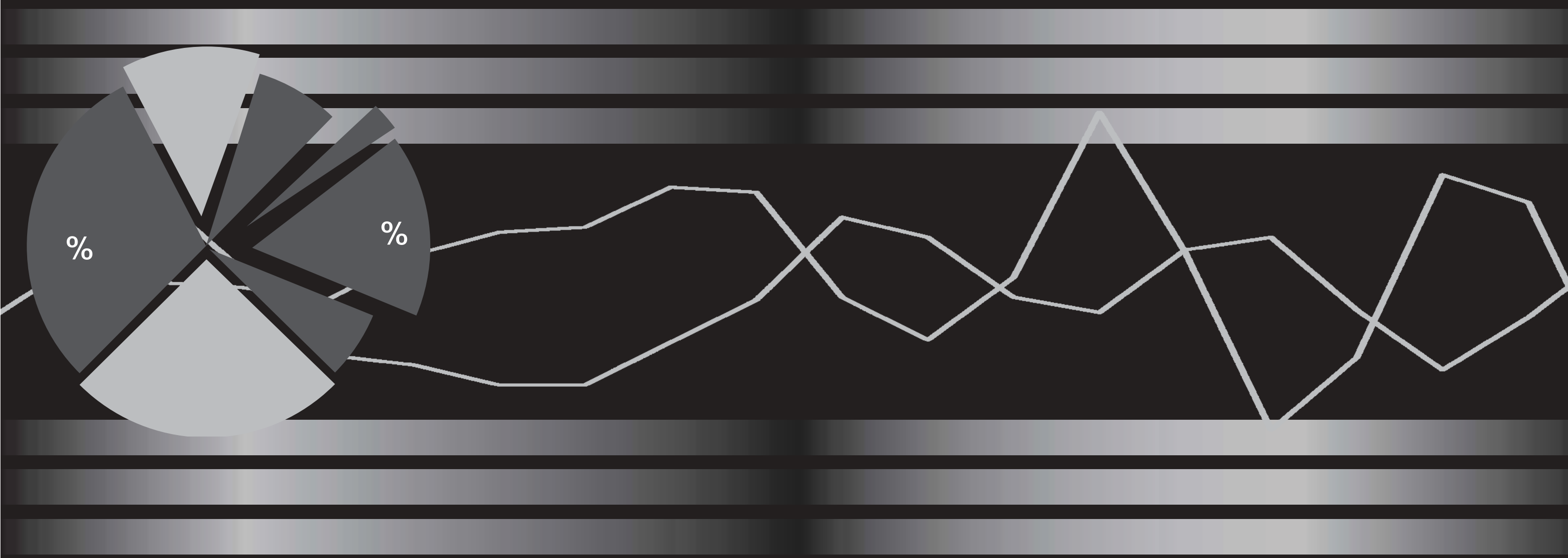
The State's gearing ratio (borrowings to net assets) was 38.1 percent at 30 June 2003 (2002, 42.2 percent).

Queensland
Government

2002-03

Audited information

Consolidated Financial Statements of the Queensland Government year ended 30 June 2003



Statement of Financial Performance
for the year ended 30 June 2003

	Notes	2003 $M	2002 $M
Revenues from Ordinary Activities			
Commonwealth and other grants	3	10,574	10,021
Sales of goods and services	4	8,300	8,168
Taxes, fees and fines	5	5,936	5,082
Investment income	6	715	296
Royalties and other territorial income	7	769	812
Other	8	862	580
Total Revenues from Ordinary Activities		**27,156**	**24,959**
Expenses from Ordinary Activities			
Employee expenses	9	12,050	10,925
Supplies and services		6,290	6,035
Depreciation and amortisation	10	2,646	2,615
Grants and other contributions		3,800	3,922
Borrowing costs expense	11	1,392	1,494
Share of deficit of associates using the equity method	27	18	17
Other	12	2,250	1,886
Total Expenses from Ordinary Activities		**28,446**	**26,894**
Surplus/(Deficit) from Ordinary Activities before Income Tax Expense		**(1,290)**	**(1,935)**
Income Tax Revenue/(Expense) relating to Ordinary Activities	2	-	-
Net Surplus/(Deficit)		**(1,290)**	**(1,935)**
Asset revaluation reserve increments/(decrements)	25	8,616	2,377
Net amount of valuation adjustments recognised as a direct adjustment to equity in accordance with a standard	25	(526)	-
Changes in scope of consolidation	25	1	23
Other movements	25	-	5
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		**8,091**	**2,405**
Total changes in equity other than those resulting from transactions with owners as owners		**6,801**	**470**

This Consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes. Note 2 provides disaggregated information in relation to the components of the Net Surplus/(Deficit).

Statement of Financial Position
as at 30 June 2003

	Notes	2003 $M	2002 $M
Assets			
Current Assets			
Cash assets	13	300	108
Receivables	14	2,497	2,491
Other financial assets	15	6,444	6,345
Inventories	16	563	483
Other	19	465	390
Total Current Assets		**10,269**	**9,817**
Non-Current Assets			
Receivables	14	4,272	4,510
Investments accounted for using the equity method	27	84	78
Other financial assets	15	15,841	16,405
Inventories	16	155	175
Property, plant and equipment	17	77,890	68,339
Intangibles	18	670	586
Other	19	1,285	1,001
Total Non-Current Assets		**100,197**	**91,094**
Total Assets		**110,466**	**100,911**
Liabilities			
Current Liabilities			
Payables	21	2,454	2,236
Interest-bearing liabilities	22	4,998	8,048
Provisions	23	2,399	1,782
Other	24	400	450
Total Current Liabilities		**10,251**	**12,516**
Non-Current liabilities			
Payables	21	246	223
Interest-bearing liabilities	22	19,726	16,466
Provisions	23	15,159	13,407
Other	24	190	206
Total Non-Current Liabilities		**35,321**	**30,302**
Total Liabilities		**45,572**	**42,818**
Net Assets		**64,894**	**58,093**
Equity			
Accumulated surplus	25	40,844	42,773
Reserves	25	24,050	15,320
Total Equity		**64,894**	**58,093**

This Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.
Note 2 provides disaggregated information in relation to components of Net Assets.

Statement of Cash Flows
for the year ended 30 June 2003

	Notes	2003 $M	2002 $M
Cash Flows from Operating Activities			
Receipts			
Grants and subsidies received		10,556	10,163
Sales of goods and services		8,238	7,742
Taxes, fees and fines		5,897	4,997
Interest received		(68)	281
Royalties and other territorial receipts		795	767
Dividends received		16	76
GST input tax credits received		1,127	1,118
Other		297	528
Payments			
Employee expenses		(10,297)	(9,302)
Supplies and services		(7,160)	(7,057)
Grants and subsidies paid		(3,781)	(3,914)
Borrowing costs paid		(990)	(850)
GST remitted to the ATO		(853)	(908)
Other		(326)	(306)
Net Cash from Operating Activities	26(a)	**3,451**	**3,335**
Cash Flows from Investing Activities			
Receipts			
Proceeds from sale of property, plant and equipment		778	1,015
Proceeds from sale of investments		805	1,916
Payments			
Acquisition of property, plant and equipment		(4,308)	(4,478)
Acquisition of investments		(729)	(2,140)
Net Cash from Investing Activities		**(3,454)**	**(3,687)**
Cash Flows from Financing Activities			
Receipts			
Proceeds from borrowings		2,035	2,626
Other		2	1
Payments			
Repayment of borrowings		(1,254)	(1,395)
Net Cash from Financing Activities		**783**	**1,232**
Net Cash Flows from Public Financial Corporations (PFC)	26(b)	**2**	**-**
Net Increase/(Decrease) in Cash		**782**	**880**
Net Increase/(Decrease) in non-eliminated Cash Balances with PFC		(590)	(1,029)
Cash at the Beginning of the Financial Year		108	257
Cash Held at End of Year		**300**	**108**

This Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Significant Accounting Policies

The following summary presents the significant accounting policies that have been adopted in preparing and presenting this consolidated financial statements of the Government of Queensland.

(a) Accounting Standards

These general purpose consolidated financial statements have been prepared in accordance with relevant Australian Accounting Standards, principally Australian Accounting Standard AAS 31 *Financial Reporting by Governments* and other authoritative pronouncements.

The following new or revised Australian Accounting Standards became operative during the year and have been adopted where applicable:

- AASB 1012 *Foreign Currency Translation*;
- AASB 1028 *Employee Benefits;* and
- AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets*.

(b) The Government Reporting Entity

In accordance with Australian Accounting Standard AAS 24 *Consolidated Financial Reports*, these consolidated financial statements includes the values of all material assets, liabilities, equities, revenues and expenses controlled by the Government of Queensland.

Only those agencies considered material by virtue of the size of their financial transactions and/or resources managed are consolidated for the purposes of this report. In this context, generally, only those entities with net assets greater than $10 million or with net operating results of more than $1 million are considered material.

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

The Queensland Government economic entity includes all State Government departments, Public Trading Corporations, Public Financial Corporations and their controlled entities. Refer Note 39.

In the process of reporting the Government of Queensland as a single economic entity, all material inter-entity and intra-entity transactions and balances have been eliminated to the extent practicable.

(c) Sectors

Assets, liabilities, revenues and expenses that are attributable reliably to each sector of the Government of Queensland economic entity are disclosed in Note 2. For disclosure purposes, transactions and balances between sectors have not been eliminated, but those between entities within each sector have been eliminated. The financial impact of inter-sector transactions and balances is disclosed in Note 2, under the heading of Consolidation Adjustments.

A brief description of each broad sector of the Government's activities, determined in accordance with the *Government Financial Statistics Standards*, Australian Bureau of Statistics, follows:

Notes to the Financial Statements

1. Significant Accounting Policies continued

General Government Sector

The primary function of General Government sector agencies is to provide public services that:

- are non-trading in nature and that are for the collective benefit of the community;
- are largely financed by way of taxes, fees and other compulsory charges; and
- involve the transfer or redistribution of income.

Public Non-financial Corporations Sector

The primary function of enterprises in the Public Non-financial Corporations sector is to provide goods and services that:

- are trading, non-regulatory or non-financial in nature; and
- are financed by way of sales of goods and services to consumers.

Public Financial Corporations Sector

The Public Financial Corporations sector comprises publicly owned institutions which provide financial services usually on a commercial basis.

Functions they perform may include:

- central bank functions;
- accepting on-call, term or savings deposits;
- having the authority to incur liabilities and acquire financial assets in the market on their own account; or
- providing insurance services.

A listing of the entities comprising each sector is provided in Note 39.

(d) Reporting Periods

Except for the Queensland Theatre Company, a statutory body, the reporting period of the consolidated entities is the year ended 30 June 2003. Estimated information, which is considered reliable, was used in respect of the Queensland Theatre Company.

(e) Basis of Accounting

These consolidated financial statements have been prepared in accordance with the *Financial Administration and Audit Act 1977,* applicable Australian Accounting Standards and Concepts, Urgent Issues Group Consensus Views and other authoritative pronouncements.

The statements have been prepared on an accrual basis that recognises the financial effects of transactions and events when they occur.

1. Significant Accounting Policies continued

(f) Basis of Measurement

The consolidated financial statements adopt the following valuation methodologies:

- superannuation, WorkCover, motor vehicle accident liabilities, Queensland Government Insurance Scheme and the Queensland Government Long Service Leave Central Scheme are based on actuarial valuations;
- investments held by Public Financial Corporations are recorded at market value;
- borrowings are recorded at market value;
- land, buildings, infrastructure, heritage and cultural assets are valued at fair value in accordance with AASB 1041 *Revaluation of Non-Current Assets,* other classes of assets are valued at cost or recoverable value as appropriate; and
- some inventories are valued at recoverable value.

Historical cost accounting principles are otherwise employed.

Unless otherwise stated, the accounting policies adopted for the reporting period are consistent with those of the previous reporting period.

(g) Rounding

All amounts in the consolidated financial statements have been rounded to the nearer $1 million, unless otherwise indicated. Accordingly, numbers may not add due to rounding.

(h) Comparative Information

Where applicable, comparatives have been restated to agree with changes in presentation in the financial statement for the current reporting period.

(i) Revenue Recognition

Commonwealth and other grants are normally recognised as revenue when the recipient entity obtains control over the grant, usually upon receipt. Where the grant is of a reciprocal nature, revenue is recognised as and when the obligation is fulfilled. When revenue, including grants, has been received in advance for services or work still to be completed at balance date, this revenue is considered to be unearned and is reported in other liabilities. Refer Note 24.

Assets received at below fair value, including those received free of charge and that can be measured reliably are recognised at their fair value as revenue when control over the assets is obtained, normally either on receipt of the assets or on notification that the assets have been secured.

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be reliably measured. Where this is the case, an equal amount is recognised as a revenue and an expense.

Non-repayable developer or customer contributions are recognised as revenue and as assets in accordance with Urgent Issues Group Abstract 17 *Developer and Customer Contributions in Price Regulated Industries*.

To the extent practicable, revenues from the sales of goods and services (including gas and electricity), fines and regulatory fees are recognised when the transaction or event, giving rise to the revenue, occurs.

1. Significant Accounting Policies continued

State taxation is recognised as revenue upon the earlier of receipt by the responsible agency of a taxpayer's self-assessment or, at the time the taxpayer's obligation to pay arises pursuant to the issue of an assessment. The main types of taxation and fee revenue raised by the State Government are:

- payroll tax;
- duties;
- land tax;
- debits tax; and
- various gaming and lottery taxes.

Investment income includes interest, dividends and other income earned during the financial year. Interest is recognised on an accrual basis and dividends when declared. Net realised gains from the sale of investments and unrealised gains from the revaluation of certain investments also form part of investment income.

Net increments in the market values of self-generating and regenerating assets (SGARAs) are recognised as revenues.

(j) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

(k) Onerous Contracts

General Provisions

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under that contract, and only after any impairments to assets dedicated to that contract have been recognised.

The provision is recognised based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract. The net estimated cash flows are discounted using market yields at balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

Power Purchase Agreement Provisions

A provision for onerous contracts has been realised in relation to a number of long-term power purchase agreements (PPAs) when the unavoidable costs of meeting the ongoing obligations under these agreements exceed the expected benefits to be received. Some of these PPAs have remaining terms which extend past the next ten years. As a result of low pool prices, new generation plant in Queensland and the interstate connector, a number of the long-term power purchase agreements are considered to be onerous contracts.

The provision for onerous contracts reflects the least net cost of exiting these onerous PPAs which is the lower of the cost of fulfilling the agreements or the compensation payable as defined in these agreements for early termination.

Notes to the Financial Statements

1. Significant Accounting Policies continued

Expected losses incurred on fulfilling the onerous PPAs are calculated as the net present value of the difference between the contracted purchase price for electricity and the estimated revenue to be derived from these agreements and anticipated hedge contracts. The extent of the future losses from the power purchase agreements will depend on future wholesale pool prices as well as the need for the State to meet its network support obligations. The future level of Queensland wholesale pool prices remain significantly uncertain. The critical determinants of future pool prices will be the bidding behaviour of participants in the National Electricity Market, load growth, network reliability and the introduction of new generation capacity.

The discount rate used of 9.4% reflects the current market assessments of the time value of money and the risks specific to these obligations.

(l) Receivables

Trade debtors are recognised at the nominal amount due, less any provision for doubtful debts.

Settlement by finance lease debtors is within the terms of the lease, ranging from 2 to 99 years. Title is passed to the purchaser on full repayment. Refer Note 14.

(m) Investments

For the purposes of this report, investments held to fund the State's liability for employee superannuation benefits and those held by Public Financial Corporations are recorded at market value. Other investments are recognised at cost.

(n) Inventories

Inventories are carried at the lower of cost, net realisable or net market value. For most agencies, cost is determined on either a first-in-first-out or average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

Net realisable value is the amount that could be expected to be received, from the disposal of an asset in an orderly market, after deducting costs expected to be incurred in realising the proceeds of such a disposal.

Net market value is the amount that could be expected to be received in an active and liquid market after deducting the costs expected to be incurred in realising the proceeds of the disposal.

(o) Property, Plant and Equipment

Acquisition

Items of property, plant and equipment with a cost or other value greater than the asset recognition threshold of the agency are initially recorded at cost. Entity recognition thresholds for 2002-03 range from $300 to $10,000 (unchanged from the previous year). Items with a cost or other value below each entity's recognition threshold are expensed in the year of acquisition.

Assets acquired at no cost, or for nominal consideration, that can be measured reliably are recognised initially as assets and revenues at their fair value at the date of acquisition.

Notes to the Financial Statements

1. **Significant Accounting Policies** continued

Recording and Valuation

Land, buildings, infrastructure, heritage and cultural assets are valued in accordance with AASB 1041 *Revaluation of Non-Current Assets* and Queensland Treasury's *Non-Current Asset Accounting Guidelines for the Queensland Public Sector.* Reference should be made to individual agency reports for valuation methodologies and names and qualifications of relevant valuers, where appropriate.

All other non-current assets, principally plant and equipment and intangibles, are measured at cost.

Non-current physical assets measured at fair value are comprehensively revalued once every 5 years or as appropriate, with interim valuations using relevant indices being otherwise performed on an annual basis. Only those assets, the total values of which are material, compared to the value of the class of assets to which they belong, are comprehensively revalued.

In relation to the Queensland electricity and gas supply industry, power generation as well as electricity and gas transmission supply systems are valued at depreciated optimised replacement value or cost. This approach provides values based on the optimum set of replacement assets necessary to achieve the same service potential with no inappropriate surplus capacity.

Self-generating and regenerating assets (SGARAs) are recognised at net market value, which is the amount that could be expected to be received from the disposal of the asset in an active and liquid market, after deducting costs expected to be incurred in realising the proceeds of such a disposal. Where no active and liquid market is available, the net present value methodology has been adopted under the provisions of AAS 35 *Self Generating and Regenerating Assets.*

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland public sector entities, are accounted for as adjustments to contributed equity in accordance with UIG Abstract 38 *Contributions by Owners Made to Wholly-owned Public Sector Entities.*

Assets not Recognised

The following assets are not recognised in the Consolidated Statement of Financial Position:

Quarry Resources

The value of quarry resources held by the Department of Natural Resources and Mines and by the Department of Primary Industries is not included in the financial statements as it is not practical to determine reliably the quantum of the resources available for extraction. Revenue from the sale of quarry materials is recognised as extractions are made.

Native Forests

Under the provisions of the *Forestry Act 1959*, the Department of Primary Industries has a right to harvest forest products from certain forest areas through its Forestry Business Group. The current cash flows associated with these native forests are considered immaterial at this point and therefore, the value of the access rights has not been recognised in the Consolidated Statement of Financial Position. Seed orchards and nursery seedlings are not recognised on the grounds of materiality.

The value of plantation growing timber, managed by the Department of Primary Industries, Forestry Business Group, is recognised in the Consolidated Statement of Financial Position. Refer Note 19.

1. Significant Accounting Policies continued

Land under Roads

Land under roads controlled by the departments of Main Roads and Natural Resources and Mines, is expensed as road construction occurs.

QR - Corridor / Non-Corridor Land

The *Transport Infrastructure Act 1994* (the Act) states that QR only retains ownership of its non-corridor land. A major project is presently being undertaken between QR, Queensland Transport and the Department of Natural Resources and Mines to identify the corridor land. Until this project is completed, it is not possible to accurately determine the total amount and value of QR's non-corridor land. As such, the land included in these accounts is limited to the major non-corridor sites controlled by QR.

Department of Natural Resources and Mines (DNR)

Under the above Act, railway corridor land was rendered State land under the control of DNR, which for reporting purposes recorded the land at nil value. This land is on-leased to QR via Queensland Transport at no cost.

User Funded Assets

Certain wharf facilities, bulk sugar terminals, bulk molasses terminals, bulk grain terminals and grain loading facilities have been constructed on land controlled by Queensland port corporations. As the users of the assets have either fully or partially funded these facilities, they are not included in the Consolidated Statement of Financial Position, as they are either not considered to be controlled by the corporations, or no income will flow from the facilities.

Heritage Assets

Certain heritage assets, including artefacts, memorabilia and other historical objects held by agencies, have not been valued or included in the Consolidated Statement of Financial Position because of the unique nature of the items and the difficulty in determining a reliable value.

Library Collections

A number of entities expense the purchase of library acquisitions as they are incurred. However, the Library Board of Queensland capitalises their library collections.

Intangibles

A number of public sector agencies have been unable to determine a reliable value for intangible items including internally developed software, intellectual property and trade names. Consequently, the value of these assets is excluded from these financial statements.

Water Licenses

The Mount Isa Water Board holds an interim resource allocation license. However, the Board has not been able to reliably measure the value of this asset and therefore, it has not been brought to account.

1. Significant Accounting Policies continued

Depreciation and Amortisation

Land is not depreciated.

Other assets are normally depreciated or amortised on a straight-line basis from their date of acquisition (or in respect of internally constructed assets, from the time the asset is completed and held ready for use), and based on their estimated useful lives to the agency.

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

The following provides an indication of the estimated useful lives to agencies of the different asset classes:

Asset Class	***Useful Life***
Buildings	5 - 100 years
Plant and equipment	2 - 50 years
Infrastructure assets	Up to 200 years
Computer equipment	2 - 5 years
Heritage and cultural assets	7 - 80 years
Intangibles	
Computer software	3 - 5 years
Other intangibles (including goodwill, intellectual property, licences)	2 - 20 years

(p) Leases

Agency rights and obligations under finance leases, which are leases that effectively transfer most of the risks and benefits relating to ownership of the leased items to the lessee are recognised initially as assets and liabilities equal to the present value of the minimum lease payments. The assets are disclosed as leased plant and equipment and are amortised over the period during which the agency is expected to benefit from the use of the asset. Minimum lease payments are allocated between interest and reduction of the lease liability, according to the interest rate implicit in the lease.

For operating leases, where the lessor retains substantially all of the risks and benefits relating to ownership of the leased items, lease payments are expensed over the term of the lease.

Further disclosure on lease commitments is contained in Note 31.

(q) Employee Benefits

Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave are accrued at year-end. For most agencies, sick leave is non-vesting and is expensed as incurred. Liabilities have been calculated based on wage and salary rates at the date they are expected to be paid and include related on-costs.

Long Service Leave

A levy of 1.5% of salary and wages costs is paid by participating agencies (predominantly Government departments) into the Long Service Leave Central Scheme introduced in 1999-2000. Amounts paid to employees for long service leave are then claimed from the scheme as a reimbursement.

1. Significant Accounting Policies continued

The provision in respect of the Long Service Leave Central Scheme is recognised in the Consolidated Statement of Financial Position and has been determined using a 'shorthand' method derived by the State Actuary. It is considered that the result of this method does not differ materially from that which would be arrived at by calculation of the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

The method used incorporates consideration of expected future wage and salary levels, experience of employee departure and periods of service. The assumed rate of salary inflation and discount rate are based on Commonwealth Government bond yields at the reporting date and the expected long term gap between salary inflation and investment return.

Entities that do not participate in the Long Service Leave Central Scheme (predominantly Public Non-financial Corporations) determine their liability for long service leave based on the present value of estimated future cash outflows to be made.

Superannuation

A superannuation liability is recognised in the Consolidated Statement of Financial Position in respect of the various employees' accrued superannuation benefits and represents the difference between the net market value of plan assets and the estimated accrued superannuation benefits at year-end. The liability is assessed annually by the State Actuary and a full actuarial review is undertaken every three years. Refer notes 23 and 37.

Employees in the electricity industry contribute to a fund independent of the State Government. The superannuation fund is fully funded and no superannuation assets and liabilities are recognised in the consolidated accounts in respect of this fund. A full actuarial review of this scheme was undertaken in 2002-03. Refer Note 37.

(r) Financial Instruments

Investments

Investments include marketable securities, money market deposits, floating rate notes, fixed interest deposits and letters of credit.

Investments held to fund the State's liability for employee entitlements and general government insurance liabilities and those held by Public Financial Corporations are recorded at market value. Other investments are recognised at cost.

This reflects the reporting treatment by these financial institutions. Unrealised gains or losses arising from this valuation policy are brought to account in the Consolidated Statement of Financial Performance.

Borrowings

Generally, borrowings are recorded at market value. These borrowings include:

- public, domestic and overseas borrowings termed 'Government Securities' principally raised by the Queensland Treasury Corporation; and
- direct borrowings by individual Government entities.

State debt to the Commonwealth represents loans made by the Commonwealth under Loan Council agreements.

Notes to the Financial Statements

1. Significant Accounting Policies continued

Derivatives

Derivatives used to hedge financial assets or financial liabilities are recorded at market value, where they can be reliably measured. Gains or losses on derivatives are accounted for on the same basis as the underlying physical exposures. Accordingly, realised and unrealised gains and losses on derivatives are included in the Consolidated Statement of Financial Performance as are gains and losses arising from the related physical exposures. The market values of all derivatives measured are recorded as financial assets or financial liabilities in the Consolidated Statement of Financial Position.

(s) Foreign Currency

Foreign currency transactions are translated initially into Australian dollars at the rate of exchange applying at the date of the transaction. Amounts payable and receivable in foreign currencies at balance date are translated to Australian currency at rates of exchange current at 30 June 2003.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Consolidated Statement of Financial Performance in the financial year in which the exchange rates change.

In relation to borrowings covered by swaps denominated in foreign currencies, both the loan and the underlying swap are valued at the relevant swap yield existing at year-end. Where transactions involve forward foreign exchange, the amount payable or receivable under the forward exchange contract is adjusted to reflect forward rates of exchange applicable at year-end. Exchange gains or losses are brought to account in the Consolidated Statement of Financial Performance.

(t) Related Party Transactions

A number of related party transactions which are at arm's length and under normal commercial terms, have been disclosed in the financial statements of some of the agencies included in these consolidated financial statements. These transactions mainly relate to Government owned corporations. Reference should be made to individual agency reports for further particulars of these transactions.

(u) Changes in Accounting Policy

Employee Benefits

AASB 1028 *Employee Benefits* was adopted with effect from 1 July 2002. Previously, employee benefit liabilities for wages and salaries, annual leave and sick leave were measured based on current remuneration rates as at the reporting date. The revised standard requires the employee benefit provisions (excluding superannuation) to be measured based on rates expected to be paid when the liability is settled.

The effect of the revised AASB 1028 has been an increase in the current year employee benefit expenses and a decrease in retained profits of $10.6 million.

Provisions

AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* was adopted with effect from 1 July 2002.

Provision for estimated net expenses expected under onerous contracts are recognised when the unavoidable costs of meeting the ongoing obligations under the contract exceeds the expected benefits to be received. Previously, such contractual obligations and related benefits were recognised as they were realised.

Notes to the Financial Statements

1. Significant Accounting Policies continued

As a result of this change, a number of the long-term power purchase agreements for electricity have given rise to the following adjustments to the consolidated financial statements as at 1 July 2002:

- $486 million increase in provision for onerous contracts; and
- $486 million decrease in opening retained profits (accumulated losses).

A provision for reparation payments for historical Government management of the wages and savings of Aboriginal and Torres Strait Islander peoples, disclosed as contingent liabilities in 2001-02, was created on 1 July, 2002 as a result of the adoption of AASB 1044. An adjustment of $48 million was made against opening retained profits and provisions respectively.

A provision for basis risk of $11 million in 2001-02, has been written back against opening retained profits on 1 July, 2002 as a result of the adoption of AASB 1044. The provision for basis risk has been transferred to a reserve. The basis risk reserve has been created to provide for the probability of losses occurring due to borrowings from QTC being in excess of loans to clients.

Other adjustments to provisions on adoption of AASB 1044 not specifically identified above total $7 million. These adjustments were offset against opening retained profits on 1 July 2002.

Foreign Currency Translation

The revised AASB 1012 *Foreign Currency Translation* has been adopted with effect from 1 July 2002. For hedges of specific purchases or sales, the gains or costs on entering the hedge and the exchange differences up to the date of the purchase or sale are now deferred and recognised as assets or liabilities in the Consolidated Statement of Financial Position from the date of entering the hedge contract, not when the specific purchase or sale occurs. These hedge assets and liabilities offset with nil impact on retained profits as at 1 July 2002.

(v) Cash

'Cash' includes cash on hand and at bank and deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(w) Taxation

The Government is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the acquisition cost of the asset or as part of the item of expense.

Receivables and payables are stated with the amount of GST included. The amounts of GST receivable from, or payable to, the ATO are included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the Financial Statements

1. Significant Accounting Policies continued

(x) Public Private Partnerships (PPPs)

There is currently no Australian Accounting Standard specifically addressing accounting for private sector financed infrastructure assets. The following policies have been adopted pending the development of an accounting standard.

Agreements Equally Proportionately Unperformed arising from PPPs are not recognised as assets or liabilities because there is significant uncertainty as to whether the definitions and recognition criteria in Statement of Accounting Concepts SAC 4 *Definition and Recognition of Elements of Financial Statements* would be satisfied. Instead, the payments under these agreements are expensed systematically over the term of the agreements. Further, the commitments for future payments under these agreements are disclosed as commitments in the notes to the consolidated financial statements.

Notes to the Financial Statements

2. Disaggregated Information

Revenues and Expenses for the Year Ended 30 June 2003

	General Government #		Public Non-financial Corporations #		Public Financial Corporations #		Consolidation Adjustments		Consolidated	
	2003 $M	2002 $M	2003 $M	2002 $M	2003 $M	2002 $M	2003 $M	2002 $M	2003 $M	2002 $M
Revenues										
Commonwealth and other grants	10,726	10,115	1,006	960	-	-	(1,158)	(1,054)	10,574	10,021
Sales of goods and services	1,425	1,392	6,323	6,080	750	826	(198)	(130)	8,300	8,168
Taxes, fees and fines	6,188	5,309	-	-	-	-	(252)	(227)	5,936	5,082
Investment income	1,053	904	86	72	2,315	1,607	(2,739)	(2,287)	715	296
Royalties and territorial revenue	724	769	45	42	-	-	-	1	769	812
Other	336	363	506	296	2	39	18	(118)	862	580
Total Revenues	**20,452**	**18,852**	**7,966**	**7,450**	**3,067**	**2,472**	**(4,329)**	**(3,815)**	**27,156**	**24,959**
Expenses										
Employee expenses	10,671	9,572	1,467	1,405	106	96	(194)	(148)	12,050	10,925
Supplies and services	3,499	3,363	2,818	2,674	51	43	(78)	(45)	6,290	6,035
Depreciation and amortisation	1,461	1,512	1,175	1,096	10	7	-	-	2,646	2,615
Grants and other contributions	4,801	4,872	135	85	22	18	(1,158)	(1,053)	3,800	3,922
Borrowing costs expense	342	230	1,270	748	1,409	1,457	(1,629)	(941)	1,392	1,494
Share of (surplus)/deficit of associate using the equity method	8	1	10	16	-	-	-	-	18	17
Other	666	936	342	301	1,454	923	(212)	(274)	2,250	1,886
Total Expenses	**21,448**	**20,486**	**7,217**	**6,325**	**3,052**	**2,544**	**(3,271)**	**(2,461)**	**28,446**	**26,894**
Operating Surplus/(Deficit) before Income Tax Expense	**(996)**	**(1,634)**	**749**	**1,125**	**15**	**(72)**	**(1,058)**	**(1,354)**	**(1,290)**	**(1,935)**
Income tax credit/(expense)	-	-	(240)	(333)	8	39	232	294	-	-
Net Surplus/(Deficit)	**(996)**	**(1,634)**	**509**	**792**	**23**	**(33)**	**(826)**	**(1,060)**	**(1,290)**	**(1,935)**

\# See Note 1(c) for explanation of sectors.

Notes to the Financial Statements

2. Disaggregated Information continued

Assets and Liabilities as at 30 June 2003

	General Government #		Public Non-financial Corporations #		Public Financial Corporations #		Consolidation Adjustments		Consolidated	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*
	$M	*$M*	*$M*	*$M*	*$M*	*$M*	*$M*	*$M*	*$M*	*$M*
Assets										
Current Assets										
Cash assets	1,613	1,179	1,078	732	16	14	(2,407)	(1,817)	300	108
Receivables	2,244	2,200	1,085	1,035	69	58	(901)	(802)	2,497	2,491
Other financial assets	1,142	561	17	14	5,314	8,057	(29)	(2,287)	6,444	6,345
Inventories	165	137	398	346	-	-	-	-	563	483
Current tax assets	49	71	1	-	-	-	(50)	(71)	-	-
Other	368	363	99	68	2	(5)	(4)	(36)	465	390
Total Current Assets	**5,581**	**4,511**	**2,678**	**2,195**	**5,401**	**8,124**	**(3,391)**	**(5,013)**	**10,269**	**9,817**
Non-Current Assets										
Receivables	508	516	497	656	19,671	18,420	(16,404)	(15,082)	4,272	4,510
Investments accounted for using the equity method	29	27	54	51	1	-	-	-	84	78
Other financial assets	24,415	25,001	364	328	3,809	1,594	(12,747)	(10,518)	15,841	16,405
Inventories	151	170	4	5	-	-	-	-	155	175
Property, plant and equipment	53,134	44,787	24,733	23,618	57	18	(34)	(84)	77,890	68,339
Deferred tax assets	1,834	1,708	496	550	109	61	(2,439)	(2,319)	-	-
Intangibles	456	383	189	182	24	20	1	1	670	586
Other	11	10	1,274	990	-	-	-	1	1,285	1,001
Total Non-Current Assets	**80,538**	**72,602**	**27,611**	**26,380**	**23,671**	**20,113**	**(31,623)**	**(28,001)**	**100,197**	**91,094**
Total Assets	**86,119**	**77,113**	**30,289**	**28,575**	**29,072**	**28,237**	**(35,014)**	**(33,014)**	**110,466**	**100,911**

See Note 1(c) for explanation of sectors.

Notes to the Financial Statements

2. Disaggregated Information continued

Assets and Liabilities *continued*

	General Government #		*Public Non-financial Corporations #*		*Public Financial Corporations #*		*Consolidation Adjustments*		*Consolidated*	
	2003 $M	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*
Liabilities										
Current Liabilities										
Payables	1,540	1,479	866	717	206	184	(158)	(144)	2,454	2,236
Interest bearing liabilities	267	233	425	63	7,386	9,869	(3,080)	(2,117)	4,998	8,048
Current tax liabilities	1	-	27	17	17	50	(45)	(67)	-	-
Provisions	1,647	1,051	998	909	502	523	(748)	(701)	2,399	1,782
Other	305	330	99	158	-	-	(4)	(38)	400	450
Total Current Liabilities	**3,760**	**3,093**	**2,415**	**1,864**	**8,111**	**10,626**	**(4,035)**	**(3,067)**	**10,251**	**12,516**
Non-Current Liabilities										
Payables	223	206	23	18	-	-	-	(1)	246	223
Interest bearing liabilities	3,423	3,226	13,033	12,278	19,030	15,731	(15,760)	(14,769)	19,726	16,466
Deferred tax liabilities	603	608	1,826	1,706	8	2	(2,437)	(2,316)	-	-
Provisions	13,101	11,764	818	456	1,239	1,187	1	-	15,159	13,407
Other	115	123	78	83	-	-	(3)	-	190	206
Total Non-Current Liabilities	**17,465**	**15,927**	**15,778**	**14,541**	**20,277**	**16,920**	**(18,199)**	**(17,086)**	**35,321**	**30,302**
Total Liabilities	**21,225**	**19,020**	**18,193**	**16,405**	**28,388**	**27,546**	**(22,234)**	**(20,153)**	**45,572**	**42,818**
Net Assets	**64,894**	**58,092**	**12,096**	**12,170**	**684**	**691**	**(12,780)**	**(12,861)**	**64,894**	**58,093**

See Note 1(c) for explanation of sectors.

Notes to the Financial Statements

	2003 $M	2002 $M
3. Commonwealth and Other Grants		
Commonwealth		
General purpose payments		
GST revenue grants	5,890	5,019
Budget balancing assistance	38	524
National competition policy payments	139	148
Specific purpose payments		
Health	1,711	1,544
Education	1,146	1,064
Other agencies	1,258	1,339
	10,182	9,638
Other	392	383
	10,574	**10,021**

4. Sales of Goods and Services

	2003 $M	2002 $M
Goods	3,547	3,399
Services	4,459	4,480
Rental	294	289
	8,300	**8,168**

Cost of sales in relation to goods is $920 million (2002, $867 million).

5. Taxes, Fees and Fines

	2003 $M	2002 $M
Taxes		
Stamp duty		
Transfer duty	1,382	1,056
Vehicle registration	234	184
Insurance	286	238
Mortgages	183	144
Other duties	97	106
	2,182	1,728
Payroll tax	1,262	1,136
Land tax	271	229
Debits tax	191	200
Various gaming taxes and other levies	738	641
Fees		
Vehicle registration	646	595
Transport and other licences and permits	502	420
Fines	144	133
	5,936	**5,082**

6. Investment Income

	2003 $M	2002 $M
Interest	706	283
Dividends	2	5
Other	7	8
	715	**296**

Note negative interest returns on assets set aside to meet employee entitlement liabilities totalled -$240 million (2002, -$604 million).

Notes to the Financial Statements

	2003 $M	2002 $M
7. Royalties and Other Territorial Revenue		
Royalties	687	738
Other territorial revenue	82	74
	769	**812**
8. Other Operating Revenue		
Net gain on disposal of non-current assets	-	82
Assets assumed	9	157
Increment on revaluation of self generating and regenerating assets	340	-
Increment on revaluation property, plant and equipment	71	-
Other	442	341
	862	**580**
9. Employee Expenses		
Salaries, wages and associated costs	9,715	9,238
Superannuation	2,335	1,687
	12,050	**10,925**

Note the superannuation expense includes a revaluation of the liability following a review by the State Actuary of $685 million (2002, $568 million).

10. Depreciation and Amortisation

Depreciation and amortisation expenses for the financial year were charged in respect of:

	2003 $M	2002 $M
Buildings	513	490
Plant and equipment	654	606
Infrastructure	1,233	1,283
Heritage and cultural assets	1	2
Leased plant and equipment	146	145
Software development	80	62
Other intangible assets	19	27
	2,646	**2,615**

11. Borrowing Costs Expense

	2003 $M	2002 $M
Interest	1,373	1,438
Other	19	56
	1,392	**1,494**

Notes to the Financial Statements

	2003 $M	2002 $M

12. Other Operating Expense

WorkCover Queensland and other claims	600	528
Decommissioned infrastructure assets	109	200
Operating lease rentals	58	44
Bad and doubtful debts	61	86
Land under roads	12	69
Net loss on sale of non-current assets	242	-
Decrement on revaluation -		
Property, plant and equipment	-	153
Investments	625	291
Other	543	515
	2,250	**1,886**

Audit fees of $10 million (2002 $10 million) charged by the Queensland Audit Office to entities included in these financial statements have been eliminated on consolidation.

13. Cash Assets

Cash	1,611	1,102
Deposits at call	126	99
Treasury Investment Suspense Account	(1,437)	(1,093)
	300	**108**

Agencies forming part of the Public Accounts report all monies on hand as cash. This does not include the Queensland Treasury Corporation (QTC) money market deposits of $1,099 million (2002, $962 million). Refer Note 15. All material cash balances held by those agencies are managed and invested by Queensland Treasury daily to maximise returns in accordance with agreed risk profiles on a whole-of-Government basis.

14. Receivables

Current		
Trade receivables	1,187	1,286
Interest receivables	49	29
Investment receivables	582	580
Loans and advances	113	111
GST input tax credits receivables	161	132
Finance leases	10	10
Other	658	581
	2,760	2,729
Less: Provision for doubtful debts	263	238
	2,497	**2,491**
Non-Current		
Trade receivables	62	58
Loans and advances	640	749
Onlendings	3,350	3,462
Finance leases	222	218
Other	18	44
	4,292	4,531
Less: Provision for doubtful debts	20	21
	4,272	**4,510**

Notes to the Financial Statements

	2003 $M	2002 $M
Finance Lease Receivables due:		
Not later than 1 year	16	16
Later than 1 year but not later than 5 years	56	58
Later than 5 years	352	362
Less: Future finance revenue	(192)	(208)
	232	**228**
Minimum Operating Lease Payments Receivable:		
Operating leases not recognised in the financial statements:		
Not later than 1 year	12	10
Later than 1 year but not later than 5 years	37	27
Later than 5 years	104	115
	153	**152**

15. Other Financial Assets

	2003 $M	2002 $M
Current		
Money market deposits	1,099	962
Securities	3,695	4,289
Investments managed by Queensland Investment Corporation	1,530	989
Term deposits	20	21
Other	100	84
	6,444	**6,345**
Non-Current		
Securities	-	31
Bonds and debentures	2,109	2,176
Investments managed by Queensland Investment Corporation	13,052	13,626
Shares in other corporations	148	153
Other	532	419
	15,841	**16,405**

Refer Note 36 for further disclosure on financial instruments.

16. Inventories

	2003 $M	2002 $M
Current		
Raw materials and stores	296	296
Work in progress	24	50
Finished goods	112	100
Land held for resale	108	16
Other	23	21
	563	**483**
Non-Current		
Work in progress	5	2
Land held for resale	150	173
	155	**175**

Notes to the Financial Statements

17. Property, Plant and Equipment

	Cost		*Valuation*		*Accumulated Depreciation*		*Written Down Value*	
	2003 $M	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*
Land	98	75	15,986	12,987	-	-	16,084	13,062
Buildings	317	801	20,181	17,991	(5,539)	(5,071)	14,959	13,721
Infrastructure	3,902	2,609	48,681	47,996	(16,723)	(20,322)	35,860	30,283
Plant and equipment	6,755	5,346	1,923	2,131	(3,118)	(2,787)	5,560	4,690
Leased plant and equipment	2,040	2,028	2,204	2,234	(1,421)	(1,313)	2,823	2,949
Heritage and cultural assets	15	13	866	858	(304)	(303)	577	568
Capital works in progress	2,027	3,066	-	-	-	-	2,027	3,066
	15,154	**13,938**	**89,841**	**84,197**	**(27,105)**	**(29,796)**	**77,890**	**68,339**

Reconciliations

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:

	Land		*Buildings*		*Infrastructure*		*Plant and Equipment*	
	2003 $M	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*
Carrying amount at beginning of year	13,062	12,104	13,721	12,825	30,283	29,373	4,690	4,478
Additions	107	81	208	297	1,024	875	1,396	659
Disposals	(149)	(225)	(148)	(29)	(126)	(784)	(200)	(224)
Revaluations	3,091	1,052	1,288	271	4,354	849	(14)	(30)
Recoverable write-downs	-	-	-	-	-	-	(22)	-
Depreciation and amortisation	-	-	(514)	(490)	(1,233)	(1,283)	(654)	(606)
Net asset transfers	(27)	50	404	847	1,558	1,253	364	413
Carrying amount at end of year	**16,084**	**13,062**	**14,959**	**13,721**	**35,860**	**30,283**	**5,560**	**4,690**

Notes to the Financial Statements

17. Property, Plant and Equipment continued

	Leased Plant and Equipment		Heritage and Cultural Assets *		Capital Works in Progress		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	$M	$M	$M	$M	$M	$M	$M	$M
Carrying amount at beginning of year	2,949	3,063	568	600	3,066	3,113	68,339	65,556
Additions	1	-	2	1	1,607	2,527	4,345	4,440
Disposals	(13)	(1)	-	(1)	(321)	(43)	(957)	(1,307)
Revaluations	-	16	15	18	-	-	8,734	2,176
Recoverable write-downs	(1)	-	-	-	-	-	(23)	-
Depreciation and amortisation	(146)	(145)	(1)	(2)	-	-	(2,548)	(2,526)
Net asset transfers	33	16	(7)	(48)	(2,325)	(2,531)	-	-
Carrying amount at end of year	**2,823**	**2,949**	**577**	**568**	**2,027**	**3,066**	**77,890**	**68,339**

* Heritage and cultural assets includes $172 million relating to assets held by the Queensland Museum. This collection has not been subject to a regular stocktake by management at the Queensland Museum. Accordingly, the Auditor General provided a qualified opinion on Queensland Museum's financial statements. The Auditor General was unable to express an opinion on the reported value of the collections disclosed in the financial statements.

Property, Plant and Equipment Subject to Operating Leases

Of the property, plant and equipment listed above the following are subject to operating leases, which also include relevant licences and permits. Revenue from leased assets is disclosed in the Consolidated Statement of Financial Performance in 'Other' revenue on the basis set out in Note 1.

	Cost or Valuation	Accumulated Depreciation	Written Down Value	
	2003	2003	2003	2002
	$M	$M	$M	$M
Land	207	-	207	167
Buildings	189	(41)	148	120
Plant and equipment	31	(13)	18	18
	427	**(54)**	**373**	**305**

Notes to the Financial Statements

18. Intangible Assets

	Cost		*Valuation*		*Accumulated Depreciation*		*Written Down Value*	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*
	$M	*$M*	*$M*	*$M*	*$M*	*$M*	*$M*	*$M*
Software development	824	644	21	26	(372)	(280)	473	390
Other	139	144	151	150	(93)	(98)	197	196
	963	**788**	**172**	**176**	**(465)**	**(378)**	**670**	**586**

Notes to the Financial Statements

	2003 $M	2002 $M
19. Other Assets		
Current		
Prepayments	193	179
Other	272	211
	465	**390**
Non-Current		
Self-generating and regenerating assets:		
Plantation growing timber	1,245	990
Prepayments	29	2
Other	11	9
	1,285	**1,001**

20. Restricted Assets

A number of assets included in the consolidated financial statements are classified as restricted assets because their use is wholly or partially restricted by externally imposed requirements. These assets include:

	2003 $M	2002 $M
Grants and donations to further medical research in specified areas	24	19
Cash and property, plant and equipment to be used for specific purposes	20	23
Intra regional settlements residue held pursuant to national electricity markets arrangements	104	75
	148	**117**

21. Payables

	2003 $M	2002 $M
Current		
Trade creditors	1,229	1,090
Employee benefits	701	658
Grants and other contributions	57	39
Cross border lease deferred income	160	167
Interest	1	4
GST payable	106	18
Other	200	260
	2,454	**2,236**
Non-Current		
Other	246	223
	246	**223**

22. Interest-Bearing Liabilities

	2003 $M	2002 $M
Current		
Government securities	3,007	6,079
Deposits, loans and advances	1,776	1,734
Finance leases (refer Note 31)	1	3
Other	214	232
	4,998	**8,048**
Non-Current		
Government securities	19,024	15,725
Deposits, loans and advances	67	75
Finance leases (refer Note 31)	107	109
Other loans	528	557
	19,726	**16,466**

Notes to the Financial Statements

23. Provisions

	2003 $M	2002 $M
Current		
Employee benefits (refer Note 37):		
Annual leave	760	708
Superannuation	533	2
Judges' pensions	6	6
Long service leave	194	193
Other benefits	85	129
Outstanding claims:		
HIH/FAI	73	96
Workers' compensation	435	477
Other	124	51
Queensland Government Insurance Fund	57	40
Onerous contracts (refer Note 1(k))*	72	-
Other	60	80
	2,399	**1,782**
Non-Current		
Employee benefits (refer Note 37):		
Superannuation	10,997	9,875
Judges' pensions	234	179
Long service leave	1,412	1,339
Other benefits	120	116
Outstanding claims		
HIH/FAI	143	194
Workers' compensation	1,231	1,168
Other	217	147
Queensland Government Insurance Fund	366	248
Onerous contracts (refer Note 1(k))*	384	-
Other	55	141
	15,159	**13,407**

The liability for outstanding claims is measured as the present value of expected future payments, the majority of which are actuarially assessed. The liability for workers' compensation includes a 15% prudential margin.

The Queensland Government Insurance Fund (QGIF) is a centrally managed self-insurance scheme mainly covering property and medical and other liability claims for whole-of-Government. An actuarial assessment of the scheme was undertaken as at 30 June 2003.

* The uncertainty associated with the estimation of the level of future wholesale electricity prices is detailed in note 1 (K) and this was also highlighted by the Auditor-General as an emphasis of matter in the independent audit report relating to Queensland Power Trading Corporation's financial statements which recorded a provision for onerous contracts of $395 million.

Movements in Provisions (excluding employee benefits):

	Onerous Contracts $M	Outstanding Claims $M	QGIF $M	Other Provisions $M	Total $M
Carrying amount at beginning of year	-	2,133	288	221	2,642
Additional provisions recognised	61	92	76	4	233
Reductions in provisions and payments	(25)	(46)	(42)	(110)	(223)
Adjustment on adoption of AASB 1044	486	-	-	-	486
Change from remeasurement	(66)	44	101	-	79
Carrying amount at end of year	**456**	**2,223**	**423**	**115**	**3,217**

24. Other Liabilities

	2003 $M	2002 $M
Current		
Unearned revenue	322	362
Other	78	88
	400	**450**
Non-Current		
Unearned revenue	183	195
Other	7	11
	190	**206**

Notes to the Financial Statements

25. Reconciliation of Changes in Net Assets (Equity)

	Accumulated Surplus		*Asset Revaluation Reserve*		*Other Reserves*		*Total*	
	2003 $M	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*
Balance at the beginning of the financial year	42,773	44,985	14,812	12,048	508	590	58,093	57,623
Net assets of entities not previously consolidated	1	-	-	-	-	-	1	-
Net assets of entities no longer consolidated	-	(585)	-	608	-	-	-	23
Adjustment on initial application of accounting standards #	(526)	-	-	-	-	-	(526)	-
Operating surplus/(deficit)	(1,290)	(1,935)	-	-	-	-	(1,290)	(1,935)
Revaluation of non-current assets*	-	-	8,616	2,377	-	-	8,616	2,377
Transfer to/(from) reserves	(114)	303	(107)	(221)	221	(82)	-	-
Other movements	-	5	-	-	-	-	-	5
Balance at the End of the Financial Year	**40,844**	**42,773**	**23,321**	**14,812**	**729**	**508**	**64,894**	**58,093**

Adjustment on initial adoption of accounting standards comprises the following:

Recognition of Power Purchase Agreements	$486 million
Other	$40 million

* The revaluation of non-current assets includes Main Roads $3,266 million (2002, $385 million), Natural Resources $1,684 million (2002, $662 million), Housing $1,424 million (2002, $386 million), Environmental Protection Agency $794 million (2002, $32 million), Education $559 million (2002, -$74 million), Health $160 million (2002, $5 million) and the electricity sector $140 million (2002, $183 million).

Notes to the Financial Statements

26. Cash Flows

(a) Reconciliation of Net Surplus/(Deficit) to Net Cash Flows from Operating Activities

	2003 $M	2002 $M
Net Surplus/(Deficit)	(1,290)	(1,935)
Non-Cash Movements:		
Depreciation and amortisation	2,646	2,615
Net loss on disposal/revaluation of non-current assets	757	667
Bad debt provision	30	89
Equity accounting loss	18	17
Unrealised net gain on borrowings	(114)	(2)
Decrease in receivables	3	331
(Increase)/decrease in inventories	(60)	6
(Increase) in prepayment and other assets	(360)	(96)
Increase in creditors	202	37
Increase in provisions	1,824	1,559
Increase/(decrease) in other liabilities	(67)	97
Total Non-Cash Movements	4,879	5,320
Items treated by Public Financial Corporations as operating cash flows	358	-
Cash Flows from Operating Activities	**3,947**	**3,385**
Being: Cash flows of non-financial institutions as per:		
Consolidated Statement of Cash Flows	3,451	3,335
Dividends from Public Financial Corporations	(10)	(71)
Interest capitalised	(20)	(119)
Cash flows of Public Financial Corporations. Refer Note 26(b).	526	240
	3,947	**3,385**

(b) Cash Flows from Public Financial Corporations

	2003 $M	2002 $M
Cash Flows from Operating Activities		
Sale of goods and services	775	837
Interest received	2,236	1,599
Other receipts	-	19
Employee expenses	(106)	(95)
Supplies and services	(25)	(48)
Grants and subsidies paid	(22)	(18)
Borrowing costs paid	(1,651)	(1,461)
Other payments	(681)	(593)
Net Cash from Operating Activities	**526**	**240**
Cash Flows from Investing Activities		
Proceeds from sale of investments	35,900	32,324
Purchase of property, plant and equipment	(45)	(20)
Purchase of investments	(36,524)	(33,472)
Net Cash from Investing Activities	**(669)**	**(1,168)**
Cash Flows from Financing Activities		
Proceeds from issue of Government securities	31,810	35,162
Redemption of Government securities	(31,655)	(34,163)
Dividends paid	(10)	(71)
Net Cash from Financing Activities	**145**	**928**
Net Cash Flows from Public Financial Corporations	**2**	**-**

26. Cash Flows continued

(c) Cash Flows Presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- loan advances to and redemptions from borrowing authorities;
- receipt and withdrawal of client deposits; and
- money market and other deposits.

27. Investments Accounted for using the Equity Method

Investments in the following unlisted associated entities are recognised at amounts in excess of $1 million in the accounts of the relevant public sector entity:

Name of Entity	*Principal Activity*		*Ownership Interest*		*Equity Accounted Amount*	
			2003 %	*2002* %	*2003* *$M*	*2002* *$M*
Dumaresq-Barwon Border Rivers Commission	Water management	(i)	50	50	28	27
Bounty Limited	Specialised software	(ii)	80	45	-	4
Ceramic Fuel Cells Pty Ltd	Development fuel cell technology	(iii)	27	27	15	20
ElectraNet Pty Ltd	Electricity transmission services	(iv)	40	40	39	27
QInvest Limited	Dealer in securities and financial planning advice	(v)	50	50	2	-
					84	**78**

(i) Dumaresq-Barwon Border Rivers Commission is a joint authority constituted by an agreement between the Queensland and New South Wales governments. Each government holds a 50% interest in the joint commission.

(ii) Golden Casket Lottery Corporation Limited (GCLC) acquired an additional 35% interest in Bounty Limited, a company involved in software development for the gaming industry. GCLC is now the parent entity of Bounty Limited holding an 80% ownership interest and as such, Bounty Limited is now consolidated into the financial statements.

(iii) Energex Limited has a 26.6% interest in Ceramic Fuel Cells Pty Ltd, a company established to commercialise fuel cell technology.

(iv) Powerlink Queensland holds a 40.25% interest in ElectraNet Pty Ltd (trading as ElectraNet SA), a provider of electricity transmission services in South Australia.

(v) Queensland Investment Corporation has a 50% interest in QInvest Limited being a licensed dealer in securities, providing financial planning advice and acting as responsible entity for the QInvest Investment Access Fund.

27. Investments Accounted for using the Equity Method continued

	2003 $M	2002 $M
Movements in Carrying Amount of Investments		
Carrying amount of investments in associates at beginning of the financial year	78	106
Share of associates' net profit/(loss)	(18)	(17)
Revaluation of assets	28	9
Acquisitions	2	20
Disposals/write-downs	(4)	(40)
Adjustment against accumulated surplus/(loss)	(2)	-
Carrying Amount of Investments in Associates at End of Financial Year	**84**	**78**
Share of Accumulated Surplus/(Loss) and Reserves Attributable to Associates:		
Accumulated Surplus/(Loss)		
Share of associates' accumulated surplus at beginning of year	(9)	8
Share of associates' (losses) accounted for using the equity method	(18)	(17)
Adjustments against accumulated surplus/(loss)	(2)	-
Share of Associates' Accumulated Surplus/(Loss) at End of Year	**(29)**	**(9)**
Asset Revaluation Reserve		
Share of associates' asset revaluation reserve at beginning of year	55	46
Share of associates' asset revaluations during year	28	9
Share of Associates' Asset Revaluation Reserve at End of Year	**83**	**55**

28. Investments in Entities that are not Controlled or Associated

Investments held by the Government that are not in respect of controlled or associated entities with a carrying amount greater than $1 million follow:

Name of Entity	*Principal Activity*	*Ownership Interest* 2003 %	2002 %	*Carrying Amount* 2003 $M	2002 $M
Unlisted					
South East Queensland Water Corporation Pty Ltd	Bulk water storage	20	20	39	39
Brisbane Airport Corporation Limited (i)	Airport management	37.6	37.6	270	270
				309	**309**

(i) The nature of the investment in the Brisbane Airport Corporation Limited, including distribution of voting rights, dividend entitlements and board representation, is such that the corporation is neither controlled nor associated.

Notes to the Financial Statements

29. Interest in Joint Ventures

Callide Power Project

Callide Energy Pty Ltd and IG Power (Callide) Ltd each hold a 50% interest in the Callide Power Project unincorporated joint venture. The principal activity of this joint venture is the generation of electricity.

The value of the joint venture assets included in the Consolidated Statement of Financial Position at 30 June 2003 was $376 million (2002, $371 million).

Kelvin Grove Urban Village

The Department of Housing has entered into a joint venture operation with Queensland University of Technology called Kelvin Grove Urban Village. The joint venture has been established to develop the 16.5 hectare site at Kelvin Grove. Each party to the joint venture owns and develops its own land but contributes to the cost of shared infrastructure and other project common works.

The land and development costs included in the Consolidated Statement of Financial Position at 30 June 2003 is $20 million (2002, $16 million).

QR

QR has interests in a number of joint ventures for transport related works. Further details of these ventures are set out in the annual report of QR.

The Council of the Queensland Institute of Medical Research (QIMR)

Joint venture arrangements entered into by QIMR are as follows:

- QIMR has contractual arrangements with a number of incorporated and unincorporated joint ventures. Details of the joint venture partners can be obtained from the annual report of QIMR.

- QIMR is a participant in the Co-operative Research Centre for Vaccine Technology (CRC-VT). CRC-VT is an unincorporated joint venture with QIMR, CSIRO, the Walter and Eliza Hall Institute, the University of Melbourne, CSL Limited, Monash University and the Australian Red Cross Blood Service.

- Through CRC-VT, QIMR owns 50% of Vaccine Solutions Pty Ltd, which exists to exploit the intellectual property of the CRC-VT.

Other

Joint ventures that contribute less than $2 million in net assets and/or net revenues to the Consolidated Statements of Financial Position or Performance:

- The Department of Primary Industries has various joint ventures relating to forestry and seeds plantations.

- The Department of Natural Resources and Mines has a number of interests in Co-operative Research Centres, the Consortium for Integrated Resource Management and a Public Sector Mapping venture.

- South Bank Corporation has a 65% interest in the Little Stanley Street Development joint venture (previously known as Arbour on Grey).

- Queensland Health has a 50% interest in a joint venture operation with the University of Queensland for the operation of a magnetic resonance imaging facility.

Notes to the Financial Statements

30. Public Private Partnerships

Queensland Health

Queensland Health has entered into a number of contractual arrangements with private sector entities for the construction and operation of public infrastructure facilities for a period of time on departmental land. After an agreed period of between 15 and 25 years, title to these facilities will pass to Queensland Health. Arrangements in operation as at 30 June 2003 are:

- Butterfield Street car park (commenced January 1998);
- Bramston Terrace car park (commenced November 1998);
- Central Energy facility (commenced February 1999);
- Noosa Hospital and Specialist Centre (commenced September 1999);
- The Prince Charles Hospital car park (commenced November 2000); and
- Townsville Hospital Support Facilities Building and Walkway (commenced April 2002).

To date, no rights or obligations relating to these facilities have been recognised by Queensland Health, other than those associated with land rental and the provision of various services under the agreements.

Queensland Health also has entered into a number of contractual arrangements (termed collocation agreements) with private sector entities for the construction and operation of private health facilities for a period of time on departmental land. After an agreed period of 25 years, title to the facilities will pass to Queensland Health. The department does not control the facilities associated with these arrangements and accordingly, the facilities are not recognised as assets.

Collocation arrangements in operation as at 30 June 2003 are:

- Logan Private Hospital (commenced February 1998);
- Redlands Private Hospital (commenced August 1999);
- Caboolture Private Hospital (commenced September 1997); and
- Holy Spirit Northside Private Hospital (commenced July 2001).

Department of Transport

The Brisbane Airport Rail Link (BARL) is a public rail transport system developed by Airtrain Citylink Limited (Airtrain) to link Brisbane Airport to the existing QR network.

In 1998, the State Government entered into an agreement with Airtrain whereby Airtrain was required to acquire the land required for the BARL, and design, construct, maintain and operate the BARL for a concession period of 35 years. At the end of this period, the agreement provides for Airtrain to transfer the BARL to the Government at no cost to the State.

Further information may be obtained from the individual financial reports of the relevant agencies.

Notes to the Financial Statements

31. Expenditure Commitments

Other than obligations under finance leases, where substantially all the risks and benefits incidental to ownership of the leased assets are transferred to the lessee, the following commitments have not been recognised as liabilities in the Consolidated Statement of Financial Position.

A change in presentation for the 2002-03 financial year to exclude commitments to another Queensland Government entity, may result in some variance from the 2001-02 disclosed figures.

As at 30 June 2003, State Government entities had entered into the following capital and non-capital expenditure commitments, lease commitments and grant and subsidy commitments with non-public sector entities:

	2003 *$M*	*2002* *$M*
Capital Expenditure Commitments		
Not later than 1 year	1,126	1,229
Later than 1 year but not later than 5 years	448	393
Later than 5 years	176	61
	1,750	**1,683**

Non-Capital Expenditure Commitments

Power Purchase Agreements (PPAs)

	2003 *$M*	*2002* *$M*
Not later than 1 year	189	197
Later than 1 year but not later than 5 years	915	820
Later than 5 years	2,512	2,221
	3,616	**3,238**

Queensland Power Trading Corporation's commitments include 'take or pay' and minimum take commitments as well as an estimate of the impact of escalation over the remaining terms of the commitment.

Other Agreements

	2003 *$M*	*2002* *$M*
Not later than 1 year	468	487
Later than 1 year but not later than 5 years	468	452
Later than 5 years	323	380
	1,259	**1,319**

Operating Lease Commitments

	2003 *$M*	*2002* *$M*
Not later than 1 year	185	232
Later than 1 year but not later than 5 years	360	472
Later than 5 years	131	217
	676	**921**

Notes to the Financial Statements

31. Expenditure Commitments continued

	2003 $M	2002 $M
Finance Lease Commitments		
Not later than 1 year	7	8
Later than 1 year but not later than 5 years	22	28
Later than 5 years	153	159
Total minimum lease payments	182	195
Future finance charges	(74)	(83)
Total lease liabilities	**108**	**112**
Current lease liabilities (refer Note 22)	1	3
Non-current lease liabilities (refer Note 22)	107	109
	108	**112**
Grant and Subsidy Commitments		
Not later than 1 year	879	1,564
Later than 1 year but not later than 5 years	511	352
Later than 5 years	26	36
	1,416	**1,952**

32. Cash and Other Assets Held in Trust

Various monies were held in trust by State Government agencies at 30 June 2003 and are not included as assets/liabilities in the Consolidated Statement of Financial Position. A summary follows of entities holding assets in trust:

	2003 $M	2002 $M
Queensland Investment Corporation	12,606	11,546
Public Trustee	1,248	1,200
Treasury Department	17	65
Other	74	103
	13,945	**12,914**

Notes to the Financial Statements

33. Contingent Assets and Liabilities

Contingent assets and liabilities represent items that are not recognised in the Consolidated Statement of Financial Position because at balance date it is not probable the Government would receive or sacrifice future economic benefits in respect of these items. Below are details of the more significant contingent assets and liabilities from a whole-of-Government perspective. Reference should be made to individual agency financial reports for additional information.

Contingent Liabilities – Quantifiable

	2003	*2002*
	$M	*$M*
Nature of Contingency		
Guarantees and indemnities	5,938	6,315
QTC – stock loans	641	1,181
Training agreements	-	47
Grants and subsidies	6	9
Other	29	11
	6,614	**7,563**

Guarantees

These mainly comprise guarantees by the State including in respect of borrowings by local governments from the Queensland Treasury Corporation of $2,867 million (2002, $2,703 million) and in respect of insurance policies issued by Suncorp Life and Suncorp-Metway Limited of $2,292 million (2002, $2,525 million). Guarantees of $399 million (2002, $410 million) were also provided by the Queensland Treasury Corporation relating to the trading activities in the national electricity market of subsidiaries of Ergon Energy Corporation Limited and ENERGEX Limited, which are Queensland Government owned corporations.

Queensland Treasury Corporation (QTC) - Stock Loans

In support of an active trading and pricing market for QTC stock, the Corporation lends stock to various financial institutions on the basis that such loans form part of QTC's total exposure to the institution concerned.

The Corporation's stock lending policy ensures that all such transactions are covered by appropriate credit arrangements such as credit limits, cash securities or lodgement of collateral securities. In the event that the financial institutions holding QTC stock default on their repayment obligations, QTC would be required to enter the market and borrow further amounts to cover the default. The risk of this eventuality is considered to be low.

Training Agreements

The Department of Employment and Training has entered into a number of training agreements with external providers. For training agreements entered into prior to 30 June 2002, where courses commenced post 30 June 2002, a contingent liability exists to the external providers. As a result of the introduction of AASB 1044 these liabilities are now recognised as provisions rather than contingent liabilities.

Grants and Subsidies

These contingencies primarily relate to grant payments that are contingent on certain criteria being met.

Notes to the Financial Statements

33. Contingent Assets and Liabilities continued

Other

As at 30 June 2003, there are 33 cases filed with the courts relating to revenue collected by the Office of State Revenue. An estimate of the liability should the outcomes of the above mentioned cases prove unfavourable for the State is $29 million.

Contingent Liabilities - Not Quantifiable

Legal Proceedings and Disputes

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

Due to the wide variety and nature of the claims and the uncertainty of any potential liability, no value has been attributed to these actions/claims.

Native Title

A number of native title claims that affect the Queensland Government have been filed with the National Native Title Tribunal under the *Native Title Act 1993* (Commonwealth). The Native Title Act provides for payment of compensation to native titleholders for a variety of acts that may affect native title.

It is possible that the Government may face future litigation and liability in respect of these and other claims. However, given the subjectivity of the issue, it is inappropriate to attempt to determine the likely success of such claims or to quantify any potential liability.

WorkCover

The *WorkCover Queensland Act 1996* provides that the State Government guarantees every WorkCover policy or other insurance contract with WorkCover Queensland, a statutory body. Given the nature of this contingency, it is not possible to estimate the liability, if any, due under this heading.

Queensland Investment Corporation

The Queensland Investment Corporation, in its capacity as trustee is potentially liable for the unsettled liabilities of a number of trusts that it administers. However, under the respective trust deeds the Corporation is entitled to be indemnified out of the assets of the trusts for any losses or outgoings that may be sustained in its role as trustee.

The directors have assessed the recoverable amounts of the assets of the trusts and concluded that currently, they have excess assets over liabilities.

Cross Border Lease Transactions

The Queensland Treasury Corporation has assumed responsibility for a significant portion of the transaction risk relating to a number of cross border lease transactions and in certain situations could be liable to make additional payments under the transactions. However, external advice and history to date indicate that there is remote likelihood of these events occurring.

Notes to the Financial Statements

33. Contingent Assets and Liabilities continued

In addition, the Corporation has provided certain guarantees and indemnities to various participants in the cross border lease transactions. Unless exceptional and extreme circumstances arise, it is unlikely that the Corporation will be required to make a significant payment under these guarantees and indemnities.

Tarong North Power Station

The Queensland Treasury Corporation has provided a guarantee of certain payment obligations and an irrevocable put option for an additional 50% of the power station exercisable by the option holder under certain circumstances to support the 50% sale of Tarong North Power Station by the Tarong Electricity Corporation Limited.

'Take or Pay' Agreements

In order to ensure a reliable source of natural gas supply for current and future customers, Allgas Energy Limited, a controlled entity of ENERGEX Limited, has signed long term supply agreements with producers containing 'take or pay' conditions that could result in a claim against the company.

Contaminated Land

The State Government controls certain areas of land that are affected by pollutants. The agencies involved will be obliged to restore these assets to a safe and useable condition in the event that their use changes, for example, when the land is sold. Given its nature, it is not possible to provide an estimate of the potential liability of this exposure.

Financial Assurance Liability Gap for Mining Projects

Financial assurances are required when mining projects are undertaken to cover the rehabilitation liability should a mining leaseholder fail to undertake rehabilitation, or for remediation of disturbed land or to secure compliance with the licence. The current financial assurance system provides for a discount based on past environmental performance. This has resulted in a gap in the financial assurances held by the State and the potential liability should a miner default.

The contingent liability would only be recognised as an actual liability in the event that the miner defaults on the conditions of the licence and the State holds insufficient financial assurance to cover the rehabilitation that the State considers necessary. Since January 2001, it has not been necessary to call upon the financial assurances held to undertake rehabilitation. It is therefore not considered practical to estimate the potential financial effect of these contingent liabilities.

In the event of default it is likely the Government would attempt to pursue legal action to obtain a Court Order requiring miners, companies and/or directors to carry out rehabilitation as required under the provisions of the licence. Where such action is not successful, the State may perform the work using financial authority funds held and attempt to instigate litigation in an effort to recover any additional costs of the rehabilitation. It is recognised that the State would face potentially significant obstacles recovering monies from persons who are insolvent.

Rehabilitation of Abandoned Mine Sites

The State has a responsibility to rehabilitate abandoned mine sites. At reporting date it is not possible to determine the extent or timing of any potential financial effect that this responsibility may have.

Notes to the Financial Statements

33. Contingent Assets and Liabilities continued

Deed of Guarantee and Indemnity

CS Energy Limited has entered into a Co-operation Deed with AQC (Wilkie Creek) Pty Limited as part of the suite of agreements executed at the time of CS Energy Limited's purchase of the remaining 60% of the Kogan Creek Power Project. This agreement places certain obligations on CS Energy Limited with respect to rail arrangements for the transport of coal and other obligations with respect to water and licence conditions associated with the Kogan Creek Power Station site.

Callide Energy Pty Limited has entered into a registered Deed of Cross Charge with IG Power (Callide) Pty Limited in favour of Callide Power Management Pty Ltd in order to secure its obligations to make payments pursuant to the Callide Power Project Joint Venture Agreement.

Cost of Greenhouse Emissions Permits for Electricity Generators

The Kyoto Protocol to the Framework Convention on Climate Change includes a provision for trading in greenhouse emissions between world jurisdictions. The Commonwealth Government is considering the introduction of a domestic greenhouse emissions trading scheme to facilitate Australia's participation in this scheme.

Current Commonwealth policy indicates that domestic emissions trading would not be introduced before international trading commences, probably in 2008.

A requirement to hold permits to cover greenhouse emissions may impact on the operations of a number of Government owned corporations, principally the electricity generation corporations, QR, and DPI Forestry. DPI Forestry may earn credits for carbon dioxide offsets.

Contingent Assets – Quantifiable

Suncorp General Insurance Limited

Prior to the Suncorp Metway merger, a number of objections relating to the assessment of taxation on fixed interest securities covering the years 1991-1996 were lodged with the Australian Taxation Office (ATO) by Suncorp Metway Insurance Limited. Any potential benefits arising from this action were transferred to the State under the Merger Implementation Agreement and the Deed of Agreement 2001.

These objections have now been resolved. The ATO paid $28.9 million to Suncorp Metway Insurance Limited. To date, Suncorp Metway Limited has paid the State the sum of $20.9 million. The balance of $8 million is currently in dispute with Suncorp Metway Limited.

Guarantees

The Department of Health has bank guarantees and undertakings in relation to facility constructions under the department's capital works program totalling $2.7 million (2002, $4.2 million).

WorkCover Queensland holds bank guarantees on behalf of self-insurers totalling $330 million (2002, $318 million).

The Department of State Development holds bank guarantees in relation to the Queensland Investment Incentive Scheme (QIIS) grants provided to public sector proponents totalling $36.9 million (2002,$33.2 million).

The Department of Natural Resources and Mines holds bank guarantees of $662.8 million (2002, $543.8 million), which represents the maximum value the department is potentially entitled to under the conditions of current mining leases.

Notes to the Financial Statements

33. Contingent Assets and Liabilities continued

The Department of Main Roads holds securities in the form of performance guarantees amounting to $26.6 million (2002, $40.9 million).

QR holds bank guarantees and insurance company guarantees of $45 million (2002, $56.5 million).

Energex Limited holds bank guarantees totalling $23.4 million from customers relating to the supply of electricity and the construction of capital assets (2002, $15 million).

Queensland Treasury (on behalf of the State of Queensland) holds a bank guarantee of $1.3 million under a contract between the State of Queensland and Landacq Limited for the purchase of commercial land.

Construction Industry Skills Centre Pty Ltd

A non-recoverable loan of $10.65 million paid to Construction Industry Skills Centre Pty Ltd is repayable to the State Government if the company and related trust are wound up. A mortgage agreement over the company's property at Salisbury has been entered into, to reflect the contingent asset.

Australian Magnesium Operation Pty Ltd

In October 2001, the State entered into a State Mezzanine Loan Agreement with Australian Magnesium Operations Pty Ltd (AMO) and Australian Magnesium Corporation Limited (AMC). The loan is for an advance up to $100 million to support payments to holders of Distribution Entitled Security (DES) who took up investments in Australian Magnesium Corporation Limited Stanwell Magnesium Project.

To 30 June 2003, amounts totalling $32 million have been paid under this agreement. The State of Queensland is a secured creditor of AMC and has the right to exercise this security at any time if an event of material adverse change to its interest, or the objectives of AMC, occurs. For further details of the State's obligation to DES holders, refer to the annual financial statements for 2002-03 of Queensland Treasury Holdings Pty Ltd, a controlled entity of the Treasury Department.

Long Term Community Housing Programme and Crisis Accommodation Program

The State's long term community housing and crisis accommodation programs aim to provide grants to assist communities to provide locally managed long-term affordable rental housing for low income earners whose housing needs cannot be met by other housing options. Legal title to dwellings funded under this program is in the name of the respective local governments or other associations. Should a local government or other association sell such a property or use it for another purpose, the Government becomes legally entitled to the payment of compensation.

At 30 June 2003, the Government is not aware of any circumstances or information that would lead it to believe that any such assets will crystallise in the future and consequently an aggregate value cannot be readily quantified.

34. Post Balance Date Events

Smartcard Integrated Ticketing System

A contract to design, build and operate for 12 years, the smartcard integrated ticketing system within South East Queensland was signed on 18 July 2003 between Cubic Transportation Systems and Queensland Transport.

The contract provides for progress payments to be made against agreed milestones.

Notes to the Financial Statements

34. Post Balance Date Events continued

TN Power unincorporated Joint Venture

Tarong Energy Corporation Limited announced on 6 August 2003 the formation of the TN Power unincorporated Joint Venture comprising TN Power Pty Ltd (50% interest), a controlled entity of the Corporation and TM Energy (Australia) Pty Ltd (50% interest).

The Joint Venture purchased the Tarong North power station and the financial effect of the transaction, which will be brought to account in the 2003-04 financial year, includes recording proceeds on sale of non-current assets of $321.5 million.

Wind Up of the Trustees of the Albion Park Paceway

On 1 July 2003, the ownership interest of the Albion Park Paceway was transferred from the State of Queensland to the Greyhound Racing Authority and Queensland Harness Racing Board as tenants in common.

35. Defeased Cross Border Leases

In the past, the State has entered into a number of cross border leases in conjunction with Queensland Treasury Corporation. In accordance with AAS 17 *Leases*, the leases are treated as finance leases, the leased assets being amortised over the estimated useful lives of the assets. Some of the entities which have entered into this type of arrangement are detailed below:

The Stanwell power station is subject to cross border leases that were entered into in 1995. There is no lease liability as future lease payments were prepaid at the commencement of the lease.

In the past, the Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland entered into a structured financing arrangement involving the sale and subsequent lease-back of certain assets. The arrangement, which is a USA cross border lease, represents the sale/lease-back of Powerlink Queensland's regulated transmission assets.

The financial benefits received by Powerlink Queensland have been recognised and the associated leased assets valued in accordance with Powerlink Queensland's asset valuation policy.

In the past, QR has entered into a series of structured financing arrangements involving the sale and subsequent lease-back of assets.

QR account for cross border leases on a basis that reflects the substance of the transactions, being to record a leased asset and to only recognise in the accounts the resulting changes in cash flows.

Where it is necessary under the cross border lease provisions to substitute existing owned assets for damaged or disposed leased assets and there is a difference between the value of the owned asset and the acquisition cost of the now leased asset (the appraised value), QR would net this amount off in the Statement of Financial Performance to ensure the leased asset is recorded at fair value.

Notes to the Financial Statements

36. Additional Financial Instruments Disclosure

Derivative Financial Instruments

The State and certain of its controlled entities enter into derivative financial instruments in the normal course of business in order to hedge exposures to movements in interest rates, foreign currency exchange rates and commodity prices. They may be used to hedge exposure to fluctuations in anticipated commitments, putting in place either long term floating rate funding or long term fixed rate funding.

Interest Rate Risk

A number of agencies enter into interest rate swaps, forward rate agreements and futures contracts to assist in the management of interest rate risk.

In most instances, interest rate swaps are utilised to swap medium to long term fixed rate borrowings into floating rate borrowings at rates that are lower than those available if short term borrowings were utilised.

Forward rate agreements are used to lock in a guaranteed return on known cash flows, as and when they fall due, or to manage the duration of a particular pool or fund.

Futures contracts are used primarily for the same purpose as forward rate agreements. These contracts have little credit risk, as the counterparties are organised exchanges.

The Government's exposure at 30 June 2003 to interest rate risk and the effective interest rates of financial assets and financial liabilities are shown in the following table. All assets and liabilities are shown by maturity or contractual repricing dates. Assets and liabilities are shown at their carrying value. Derivatives are shown at notional amounts. Notional principal amounts of derivatives represent the contract or face value of these derivatives.

The weighted average effective interest rate was the rate effective at 30 June 2003.

Notes to the Financial Statements

36. Additional Financial Instruments Disclosure continued

As at 30 June 2003 Contractual Repricing/Maturity Date

	Floating Interest Rate	*1 Year or Less*	*1 to 5 Years*	*Over 5 Years*	*Non-Interest Bearing*	*Total*	*Weighted Average Rate*
	$M	*$M*	*$M*	*$M*	*$M*	*$M*	*%*
Financial Assets							
Cash	300	-	-	-	-	300	#
Deposits	-	1,115	-	-	-	1,115	4.81
Receivables	-	-	-	-	6,769	6,769	#
Securities	-	2,754	501	1,380	-	4,634	4.87
QIC investments*	3,164	-	-	-	11,418	14,582	4.49
Floating rate notes	-	899	-	-	-	899	5.15
Shares	-	-	-	-	148	148	#
Overseas notes	-	48	-	-	-	48	1.47
Other	84	-	125	-	415	625	#
Total Financial Assets	3,549	4,816	626	1,380	18,751	29,121	
Financial Liabilities							
Australia							
Payables	-	-	-	-	2,701	2,701	#
Deposits	1,843	-	-	-	-	1,843	4.86
Finance leases	96	1	1	8	3	108	5.11
State/Commonwealth debt	181	3	11	500	1	696	4.58
Treasury notes	1,045	-	-	-	-	1,045	4.72
Bonds	25	96	6,326	5,930	-	12,376	4.87
Floating rate notes	500	-	-	-	-	500	4.74
Derivatives	1,772	(1,541)	(894)	675		12	#
Other	-	18	22	5	-	45	#
Overseas							
Commercial paper	654	327	-	-	-	981	1.78
Bonds	-	-	2,445	2,428	-	4,873	4.85
Medium term notes	-	133	408	145	-	686	4.01
Other	-	100	125	-	-	225	0.09
Total Financial Liabilities	6,117	(865)	8,444	9,691	2,704	26,091	
Net Financial Assets	**(2,568)**	**5,681**	**(7,818)**	**(8,311)**	**16,046**	**3,030**	

No rate applicable

* *QIC investments*
As at 30 June 2003, QIC investments are allocated over the following categories:

	$M
Cash	802
Australian fixed interest	931
Australian equities	5,260
International equities	4,933
International fixed interest	13
Property	2,644
	14,582

36. Additional Financial Instruments Disclosure continued

As at 30 June 2002 Contractual Repricing/Maturity Date

	Floating Interest Rate	*1 Year or Less*	*1 to 5 Years*	*Over 5 Years*	*Non-Interest Bearing*	*Total*	*Weighted Average Rate*
	$M	$M	$M	$M	$M	$M	%
Financial Assets							
Cash	108	-	-	-	-	108	#
Deposits	-	985	-	-	-	985	4.83
Receivables	-	-	-	-	7,001	7,001	#
Securities	-	3,276	476	1,562	-	5,314	5.44
QIC investments*	687	3,125	1,034	1,481	8,288	14,615	3.70
Floating rate notes	-	874	-	-	-	874	5.34
Shares	-	-	-	-	153	153	#
Overseas notes	-	147	-	-	-	147	2.18
Other	-	71	110	-	344	525	#
Total Financial Assets	795	8,478	1,620	3,043	15,787	29,722	
Financial Liabilities							
Australia							
Payables	-	-	-	-	2,459	2,459	#
Deposits	1,808	-	-	-	-	1,808	4.85
Finance leases	96	3	1	8	3	111	5.76
State/Commonwealth debt	212	2	10	514	-	738	4.62
Treasury notes	65	-	-	-	-	65	4.72
Bonds	23	2,356	2,447	7,487	-	12,313	5.92
Floating rate notes	500	-	-	-	-	500	4.81
Derivatives	2,649	(2,145)	(1,046)	667	-	125	#
Other	-	-	1	5	43	49	#
Overseas							
Commercial paper	817	888	-	-	-	1,705	2.16
Bonds	-	1,412	1,494	3,231	-	6,137	5.89
Medium term notes	-	16	230	-	-	246	5.83
Other	-	-	267	-	-	267	0.14
Total Financial Liabilities	6,170	2,532	3,404	11,912	2,505	26,523	
Net Financial Assets	**(5,375)**	**5,946**	**(1,784)**	**(8,869)**	**13,282**	**3,199**	

\# No rate applicable

* *QIC investments*
As at 30 June 2002, QIC investments are allocated over the following categories:

	$M
Cash	613
Australian fixed interest	823
Australian equities	4,537
International equities	4,986
International fixed interest	443
Property	3,213
	14,615

Notes to the Financial Statements

36. Additional Financial Instruments Disclosure continued

Foreign Exchange Risk

To effectively manage the exposure of foreign currency borrowings and offshore investments to fluctuations in exchange rates, both forward exchange contracts and cross currency swaps are used. Offshore borrowings are required to provide access to additional sources of funding and to diversify risk exposure.

The following table summarises the hedging effect that cross currency swaps and forward exchange contracts have had on foreign currency borrowings and offshore investments based on the face value of derivatives, borrowings and offshore investments:

Currency	**Borrowings**		**Offshore Investments**		**Swaps**		**Forwards**		**Net Exposure**	
	2003 $M	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*	*2003 $M*	*2002 $M*
USD	(658)	(1,169)	48	147	(40)	(147)	534	(739)	**(116)**	**(1,908)**
YEN	(358)	(267)	-	-	357	267	(56)	(697)	**(56)**	**(697)**
CHF	-	(19)	-	-	-	-	12	(94)	**12**	**(113)**
HKD	(53)	(377)	-	-	-	-	26	347	**(27)**	**(30)**
GBP	-	(54)	-	-	-	-	39	(309)	**39**	**(363)**
EUR	(128)	(21)	-	-	(2)	1	237	(762)	**106**	**(783)**
NZD	(9)	-	-	-	-	-	9	(73)	**-**	**(73)**
AUD	(5,559)	(6,448)	-	-	(348)	(118)	(749)	2,385	**(6,657)**	**(4,181)**
Other	-	-	-	-	-	-	(74)	(238)	**(74)**	**(238)**

Liquidity Risk

Liquidity risk arises from the possibility that individual agencies may be unable to settle a transaction on the due date. A range of funding facilities exists to manage this situation.

Net Fair Value of Financial Instruments

The net fair value of financial assets and liabilities is determined as follows:

- cash, deposits, receivables and payables approximate fair value; and
- the net fair value of other monetary financial assets and liabilities is based on market prices, or has been determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

36. Additional Financial Instruments Disclosure continued

Credit Exposure

Credit risk exposure represents the potential loss that would be recognised if all counterparties failed to perform as contracted.

Financial Instruments - On-Balance Sheet

The State's credit risk on recognised financial assets, excluding investments, is the carrying amount of these assets in the Consolidated Statement of Financial Position. The market value at balance date is the credit exposure for investments.

Financial Instruments - Off-Balance Sheet

The credit exposure for derivative contracts is calculated utilising the 'value at risk methodology' which takes into account the current market value, duration, term to maturity and interest rate and/or exchange rate volatility.

Credit risk exposures that are related to derivative financial instruments follow:

	2003	*2002*
	$M	*$M*
Derivative Exposure		
Interest rate swaps	360	313
Forward rate agreements	1	22
Forward exchange contracts	87	161
Cross currency swaps	71	189

The Government limits exposure to individual counterparties by determining maximum credit exposure limits based on the counterparty's rating and size of its balance sheet. Counterparty exposure by rating is as follows:

Rating	***Credit Exposure***	
	2003	*2002*
	%	%
AAA	62	54
AA+	3	6
AA	6	9
AA-	15	24
A+	10	1
A	2	5
A-	2	1

Notes to the Financial Statements

36. Additional Financial Instruments Disclosure continued

The carrying amounts and estimated fair values of recognised financial instruments are as follows:

	2003		2002	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	$M	$M	$M	$M
Financial Assets				
Cash	300	300	108	108
Deposits	1,115	1,119	985	988
Receivables	6,769	6,769	7,001	7,001
Securities	4,634	4,852	5,314	5,466
QIC investments	14,582	14,582	14,615	14,615
Floating rate notes	899	903	874	879
Shares	148	149	153	153
Other	673	680	672	649
	29,121	**29,355**	**29,722**	**29,859**
Financial Liabilities				
Payables	2,701	2,701	2,459	2,459
Deposits	1,843	1,843	1,808	1,808
State/Commonwealth debt	696	696	738	739
Treasury notes	1,045	1,042	65	65
Bonds	12,376	13,280	12,313	12,669
Floating rate notes	500	505	500	503
Overseas	6,765	7,147	8,355	8,520
Derivatives	12	57	125	48
Other	153	155	160	162
	26,091	**27,425**	**26,523**	**26,973**

37. Employee Benefits

	2003	2002
	$M	$M
Employee Entitlement Liabilities:		
Superannuation benefits:		
State Public sector - defined contribution	1,785	1,515
State Public sector - defined benefit	9,682	8,307
Parliamentary - defined benefit	63	55
Judges' pensions	240	185
Employee annual leave	807	748
Employee long service leave	1,606	1,532
Other employee benefits	158	205
	14,341	**12,547**

Superannuation Liability

State Public sector superannuation liabilities include both defined benefit and defined contribution schemes which comprise the State Public Sector Superannuation Fund. State Government budget dependent agencies, together with a number of statutory bodies, excluding principally the Queensland electricity supply industry, are required to make employer contributions to the State Public Sector Superannuation Fund.

The State also is responsible for ‘employer’ superannuation contributions to the Parliamentary Contributory Superannuation Fund and for the liability due for the pensions of the Judiciary.

Notes to the Financial Statements

37. **Employee Benefits** continued

The estimate of superannuation liabilities of the State is based on calculations carried out by the State Actuary. Actuarial calculations are based on membership data as at 30 June 2003. Forecast demographic assumptions are outlined in the formal actuarial valuation report issued by the State Actuary for the respective schemes. (The QSuper report is as at 2001 and the Parliamentary report is as at 2002).

The forecast economic assumptions are as per the following table.

	QSuper	*Parliamentary*
Defined Benefit Superannuation		
Investment return rate	7.5%	7.0%
Salary growth rate	4.0%	4.0%
CPI growth rate	2.5%	2.5%

Defined contribution superannuation liabilities represent former defined benefit members who have elected to leave the scheme. The liability grows by investment earnings and additional entrants transferring from the defined benefit scheme. The rate of return on investments achieved in 2002-03 was negative 2.4%.

Fund	***Vested Benefits***	***Present Value Accrued Benefits***	***Net Market Value of Plan Assets***	***Net Liability Accrued Benefits***	***Net Liability Accrued Benefits***
	30 June 2003 $M	*30 June 2003 $M*	*30 June 2003 $M*	*30 June 2003 $M*	*30 June 2002 $M*
State Public Sector Superannuation Fund	22,672	21,271	9,804	11,467	9,822
Parliamentary Contributory Superannuation Fund	92	96	33	63	55
	22,764	**21,367**	**9,837**	**11,530**	**9,877**

The accrued benefits amount of $21,367 million is the State Actuary's estimate of accrued superannuation liabilities payable from the respective funds as at 30 June 2003. Because of the variables involved in these calculations, the net liability of the Government at this date may vary from this amount in future actuarial valuations of the schemes. Vested benefits represent benefits to which a member retains a right under the fund irrespective of whether or not the member remains in employment. Present value of accrued benefits represents the actuarial value of all benefits that are expected to become payable in the future in respect of contributions made or periods of service completed prior to the valuation date, allowing for future salary increases.

Excluding Judges' pensions, the net liability of the State Government for accrued superannuation benefits is $11,530 million. This amount is determined by deducting the net market value of the respective plan assets at 30 June 2003 from the estimated accrued superannuation liabilities payable at that date, as detailed in the above table. When the pensions of the Judiciary are added, actuarially assessed at $240 million (2002, $185 million), the total superannuation and pension liability is estimated to be $11,770 million (2002, $10,062 million).

The number of full time equivalent employees at 30 June 2003 relating to the consolidated entities listed in Note 39 totalled 185,473 (2002, 183,229).

Notes to the Financial Statements

37. Employee Benefits continued

Electricity Supply Industry Superannuation Commitments

Queensland electricity entities contribute to an industry multiple employer superannuation fund, the Electricity Supply Industry Superannuation (Qld) Limited (ESI Super). Members, after serving a qualifying period, are entitled to benefits from this scheme on retirement, resignation, retrenchment, disability or death.

The defined benefit account of this fund provides defined lump sum benefits based on years of service and final average salary. Employee contributions to the fund are based on various percentages of their gross salaries.

The most recent actuarial assessment of the fund, as at 1 July 2002, was carried out by Mr Ralph Collins F.I.A.A. of Sunsuper Financial Services Pty Ltd on 14 January 2003. The actuary concluded that all liabilities of the fund which may be expected to arise in the normal course of events in the three years to 30 June 2005, and the vested benefits at that date in respect of current members, could be adequately met by:

(a) the assets of the fund at valuation date
(b) contributions by the employer at the recommended rate
(c) contributions by the members in accordance with the Trust Deed
(d) investment earnings on the above.

Forecast demographic assumptions are outlined in the formal actuarial valuation report, issued at 1 July 2002. The defined benefit superannuation forecast economic assumptions are as follows:

Investment return rate	7.0%
Salary growth rate	5.0%

	Vested Benefits	***Accrued Benefits***	***Net Market Value of Assets***	***Net Liability Accrued Benefits***	***Net Liability Accrued Benefits***
	1 July 2002 $M	*1 July 2002 $M*	*1 July 2002 $M*	*1 July 2002 $M **	*1 July 1999 # $M **
ESI Super	652	654	794	(140)	(301)

Date of previous actuarial assessment, as at 1 July 1999.
* The economic entities within the electricity supply industry have no entitlement to this excess.

Due to the excess of plan assets held over accrued benefits, no liability has been recorded in the Statement of Financial Position of each of the respective electricity entities. Likewise, the assets of the fund are held in trust on behalf of the fund members and no assets have been recorded in the statement of financial position.

Notes to the Financial Statements

38. Acquisition of Controlled Entities in 2002-03

On 1 July 2002, Golden Casket Lottery Corporation Limited (GCLC) acquired an additional 35% of the ordinary shares of Bounty Limited and its wholly owned controlled entities for the consideration of $0.2 million. Subsequently GCLC became the parent entity of Bounty Limited with a holding of 80%. Bounty Limited is involved in the design, development and sales of software and hardware products to the gaming industry.

On 22 November 2002, ENERGEX Limited acquired the remaining 41.5% preference shares in Allgas Energy Limited for a consideration of $0.2 million.

On 16 May 2003, ENERGEX Limited acquired 90% of the issued share capital of Service Essentials Pty Ltd for a minimal consideration. Ergon Energy Corporation Limited acquired the remaining 10% ownership interest. The operating result of this newly controlled entity has been included in the Consolidated Statement of Financial Performance of ENERGEX Limited since Service Essentials Pty Ltd commenced operations on 1 May 2003.

On 13 June 2003 Queensland Power Trading Corporation acquired the assets and liabilities of the Barcaldine power station for a consideration of $6.4 million. The net assets acquired consisted of the property, plant and equipment, spare parts inventory, provision for employee benefits and provision for rehabilitation of the power station.

Notes to the Financial Statements

39. Controlled Entities

Public sector entities are considered material for the purposes of this report if they meet either of the following criteria:

- net operating result in excess of $1 million; or
- net assets in excess of $10 million.

In addition to material entities, the State consolidates some entities which are not material in terms of the operating position or net asset position criteria if they are either a department, or if they are funded for the delivery of outputs.

When financial results are available in respect of non-material entities they are reviewed with the aim of including any newly material entities in the following year's consolidated financial statements.

Newly created entities that are expected to meet the materiality criteria on the basis of their initial budget estimates are included in the consolidated financial statements from the time of their establishment.

The following controlled entities of the Government have been included in the consolidated financial statements for the year ended 30 June 2003. The list has been classified by activity sectors as outlined in Note 1(c).

Entities denoted with an asterisk are consolidated with the accounts of the preceding entity.

General Government Enterprises

Anti-Discrimination Commission
Board of the Queensland Museum
Bureau of Sugar Experiment Stations
Commission for Children and Young People
Crime and Misconduct Commission
Dalby Agricultural College Board
Department of Aboriginal and Torres Strait Islander Policy
Arts Queensland
    * Pacific Film and Television Commission
Department of Corrective Services
    * Queensland Community Corrections Board
    * Regional Community Corrections Boards (formerly Community Corrections Board)
Department of Education
    * Australian Music Examinations Board (Queensland)
Department of Emergency Services
    * World Firefighters' Games Brisbane 2002 Ltd
Department of Employment and Training
Department of Families
Department of Health
Department of Housing
Department of Industrial Relations
Department of Innovation and Information Economy, Sport and Recreation Queensland
    * CITEC
    * Townsville Sports Reserve Trust
Department of Justice and Attorney-General
Department of Local Government and Planning
Department of Main Roads
    * RoadTek
Department of Natural Resources and Mines
    * Simtarstech Pty Ltd

Notes to the Financial Statements

39. **Controlled Entities** continued

Department of Police
Department of the Premier and Cabinet
* Queensland Events Corporation Pty Ltd

Department of Primary Industries
Department of Public Works
* GoPrint
* Project Services
* Q-Build
* Q-Fleet
* Sales and Distribution Services

Department of State Development
* Property Services Group
* Burnett Water P/L

Department of Tourism, Racing and Fair Trading
Department of Transport
Disability Services Queensland
Environmental Protection Agency
Electoral Commission of Queensland
Emerald Agricultural College Board
Legal Aid Queensland
Legislative Assembly
Library Board of Queensland
Longreach Pastoral College Board
Motor Accident Insurance Commission
Nominal Defendant
Office of the Governor
Office of the Ombudsman and Office of Information Commissioner
Office of the Public Service Commissioner
Prostitution Licensing Authority
Queensland Art Gallery Board of Trustees
Queensland Audit Office
Queensland Building Services Authority
Queensland Performing Arts Trust
Queensland Rural Adjustment Authority
Queensland Studies Authority
Queensland Theatre Company
Residential Tenancy Authority
SGH Limited
South Bank Corporation
Stadium Redevelopment Authority (ceased 30/05/03)
The Australian College of Tropical Agriculture
The Council of the Queensland Institute of Medical Research (incorporating Queensland Institute of Medical Research Trust)
The Public Trustee of Queensland
The Royal Children's Hospital Foundation
Tourism Queensland
Treasury Department
* Queensland Treasury Holdings Pty Ltd
* Nickel Resources North Queensland Pty Ltd

Notes to the Financial Statements

39. **Controlled Entities** continued

Public Non-financial Corporations

2001 Goodwill Games Brisbane Ltd
Brisbane Market Corporation Ltd
Bundaberg Port Authority
Cairns Port Authority
CS Energy Ltd
 * Aberdare Collieries Pty Ltd
 * Callide Energy Pty Ltd
 * CEPA (Kogan Creek) Holding Pty Ltd
 * CEPA (Kogan Creek) Leasing I Pty Ltd
 * CEPA (Kogan Creek) Leasing II Pty Ltd
 * CEPA (Kogan Creek) Leasing III Pty Ltd
 * CEPA (Kogan Creek) Leasing IV Pty Ltd
 * CS Energy Kogan Creek Pty Ltd
 * CS Energy Mica Creek Pty Ltd
 * CS Kogan (Australia) Pty Ltd
 * CS North West Pty Ltd
 * Delta Solutions Pty Ltd (formerly Sigma Process Solutions Pty Ltd)
 * Kogan Creek Power Pty Ltd
 * MAP Australia (BVI) Ltd (wound up on 17 June 2003)
 * MAP (Holding) Denmark ApS
 * Mirant Asia-Pacific (Dutch) BV
 * Swanbank Energy Pty Ltd
 * SE CSE Pty Ltd
DBCT Holdings Pty Ltd
DPI Forestry (controlled entity of Department of Primary Industries)
ENERGEX Ltd
 * Allgas Energy Ltd
 * Allgas Network Holdings Pty Ltd (formerly Metering Dynamics Pty Ltd)
 * Allgas Pipelines Holdings Pty Ltd
 * Allgas Pipelines Operations Ltd
 * Allgas Pipelines Pty Ltd
 * Allgas Toowoomba Pty Ltd
 * Beak Industries Pty Ltd
 * ENERGEX Retail Pty Ltd
 * Energy Holdings Ltd
 * Energy Impact Pty Ltd
 * Queensland Energy Services Team Pty Ltd
 * Queensland Gas Industries Pty Ltd
 * Varnsdorf Pty Ltd
 * VH Energy Holdings Pty Ltd
 * VH Finance Pty Ltd
 * VH Operations Pty Ltd
 * Service Essentials Pty Ltd
Ergon Energy Corporation Ltd
 * EA North Queensland Pty Ltd
 * Ergon Energy Gas Pty Ltd
 * Ergon Energy Pty Ltd
 * Ergon Energy (Victoria) Pty Ltd
 * Northern Electricity Retail Corporation Pty Ltd
 * Ergon Energy Utility Services Pty Ltd
 * Vantage Plus Utilities Trust

39. **Controlled Entities** continued

Gladstone Area Water Board
Gladstone Port Authority
Gold Coast Events Co Pty Ltd
Golden Casket Lottery Corporation Ltd
- * Interactive Gold Pty Ltd
- * Bounty Ltd

Heritage Train Company Pty Ltd
Mackay Port Authority
Major Sports Facilities Authority
Mount Isa Water Board
On Track Insurance Pty Ltd
Pioneer Valley Water Board
Port of Brisbane Corporation
- * Gateway Investments Corporation Pty Ltd

Ports Corporation of Queensland
Powerlink Queensland
- * Harold Street Holdings Pty Ltd
- * Powerlink Transmission Services Pty Ltd

Queensland Abattoir Corporation (ceased 30/06/03)
Queensland Motorways Limited (controlled entity of Department of Main Roads)
- * Queensland Motorways Management Pty Ltd
- * Logan Motorway Company Ltd
- * Port Motorway Ltd
- * The Gateway Bridge Company Ltd

Queensland Power Trading Corporation (Enertrade)
- * Enertrade (NQ) Pipeline No 1 Pty Ltd
- * Enertrade (NQ) Pipeline No 2 Pty Ltd
- * Enertrade Pipeline Management Pty Ltd

QR
QR National Pty Ltd (Interail Australia)
Rockhampton Port Authority
Stanwell Corporation Ltd
Sun Water
- * Eungella Water Pipeline Pty Ltd
- * North West Queensland Water Pipeline Pty Ltd

Tarong Energy Corporation Ltd
- * Starfish Hill Wind Farm Pty Ltd
- * Tarong Renewable Energy Pty Ltd
- * Terra Gas Trader Pty Ltd
- * TN Power Pty Ltd

Townsville Port Authority
Trustees of Albion Park Paceway (transferred from the State of Queensland 1 July 2003)

Public Financial Corporations

Queensland Investment Corporation
- * Balfour Pty Ltd
- * Bowmint Pty Ltd
- * Canberra Centre Investments Pty Ltd
- * Eastland Property Holdings Ltd
- * Financial Markets Services Group Pty Ltd
- * Grand Central Toowoomba Ltd
- * Lifestyle Portal Pty Ltd

39. Controlled Entities continued

* Pacific Echo Pty Ltd
* QIC 25 Bligh Street Pty Ltd
* QIC Epping Road Pty Ltd
* QIC Helensvale Pty Ltd
* QIC Hi Yield Pty Ltd
* QIC Logan Hyperdome Pty Ltd
* QIC Office Pty Ltd
* QIC Properties Pty Ltd
* QIC Property Funds Pty Ltd
* QIC Property Management Pty Ltd
* QIC Real Estate Funds Pty Ltd
* QIC Retail Pty Ltd
* QIC Retail (No 2) Pty Ltd
* QIC Ringwood Pty Ltd
* QIC Robina Pty Ltd
* QIC Toowoomba Pty Ltd
* QIC Westpoint Pty Ltd
* Queensland BioCapital Funds Pty Ltd
* Watergardens Brimbank Pty Ltd
* Watergardens Pty Ltd

Queensland Treasury Corporation

* Sunshine Locos Pty Ltd

WorkCover Queensland

40. Entities Not Consolidated

Queensland's public universities and certain professional, occupational and primary producer marketing boards have not been included in the consolidated financial statements because they are not considered to be controlled by the State Government. Employee superannuation funds are similarly excluded.

Local governments are a separate sphere of government and their financial activities do not form part of these consolidated financial statements.

Data was collected from 116 agencies (103 in 2002) that are controlled by the State Government but are not considered material for whole-of-Government reporting purposes and are excluded from these financial statements. Aggregated financial information of these entities follows:

	2003 $M	*2002 $M*
Revenues	114	127
Expenses	102	121
Operating Result	**12**	**6**
Assets	115	173
Liabilities	26	87
Net Assets	**89**	**86**

Certificate of Consolidated Financial Statements

Consolidated Financial Statements
2002-03

Certification by the Treasurer, Under Treasurer and Assistant Under Treasurer

The foregoing consolidated financial statements have been prepared pursuant to section 38B(1) of the *Financial Administration and Audit Act 1977*, and other prescribed requirements.

In our opinion and in terms of section 38B(3) of the *Financial Administration and Audit Act 1977* we certify that the consolidated financial statements have been properly drawn up, under the prescribed requirements, to present a true and fair view of:

(i) the financial performance and cash flows of the Queensland State Government for the financial year; and

(ii) the financial position of the Government at 30 June 2003.

At date of certification of the statements, we are not aware of any material circumstances that would render any particulars included in the consolidated financial statements misleading or inaccurate.

Walter Ivessa	Gerard Bradley	Terry Mackenroth
Assistant Under Treasurer	Under Treasurer	Treasurer of Queensland

Date 10 October 2003

Independent Audit Report

To the Treasurer of Queensland

Matters relating to the electronic presentation of the audited consolidated financial statements

The audit report relates to the consolidated financial statements of the Government of Queensland for the financial year ended 30 June 2003 included on Treasury Department's web site. The Under Treasurer is responsible for the integrity of Treasury Department's web site. The audit report refers only to the consolidated financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the consolidated financial statements. If users of the consolidated financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited consolidated financial statements, available from Treasury Department, to confirm the information included in the audited consolidated financial statements presented on this web site.

These matters also relate to the presentation of the audited consolidated financial statements in other electronic media including CD Rom.

Scope

The consolidated financial statements

The financial statements include the consolidated financial statements of the Government of Queensland and the entities it controlled at the year's end or from time to time during the year. The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to the Consolidated Financial Statements and certificates given by the Treasurer, Under Treasurer and the most senior officer of Treasury Department responsible for preparing the consolidated financial statements for the year ended 30 June 2003.

Responsibility for preparation of statements

Treasury Department, on behalf of the Treasurer, is responsible for the preparation and true and fair presentation of the consolidated financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the consolidated financial statements.

Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the consolidated financial statements present fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included -

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the consolidated financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Accountable officer,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the consolidated financial statements.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Audit Opinion

In accordance with section 38B of the *Financial Administration and Audit Act 1977* -

(a) I have received all the information and explanations which I have required; and

(b) in my opinion -

- (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and

- (ii) the consolidated financial statements have been properly drawn up to present a true and fair view, in accordance with the prescribed accounting standards, of the financial operations and cash flows of the Government of Queensland for the financial year 1 July 2002 to 30 June 2003 and of the financial position at the end of that year.

AUDITOR GENERAL
15 OCT 2003
OF QUEENSLAND

L J SCANLAN, FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

Attachment A: Reconciliation of UPF Net Operating Balance to AAS Net Surplus/(Deficit)

Comparison of GFS Operating Result to Accounting Statement of Financial Performance

The GFS Outcomes Report and Consolidated Financial Statements focus on different aspects of Government finances. The Consolidated Financial Statements outline the operations of the Queensland Government including valuation adjustments. The Outcomes Report removes valuation adjustments to reflect costs more appropriately related to the underlying operations of Government.

The Government's key fiscal principles include the maintenance of a General Government surplus in GFS terms.

Apart from reflecting the accepted uniform reporting basis for the Commonwealth and State Governments, targeting an operating result in GFS terms recognises that valuation adjustments can be quite significant from year to year and are more appropriately considered in the context of overall balance sheet management.

The table below provides a comparison of the GFS Net operating balance to the AAS Net surplus/(deficit) by sector/segment:

	General Government Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector	Total State Sector
	2002-03 $ million	2002-03 $ million	2002-03 $ million	2002-03 $ million
GFS Net operating balance	15	(52)	198	161
Less remeasurement/valuation adjustments				
Bad Debts and Amortisation	(45)	(30)	(3)	(78)
Market Value adjustments investments/loans	(110)	(433)	(216)	(759)
Revaluations of Provisions	(895)	66	-	(829)
Gains/Loss on Assets sold/written off	16	250	-	315
Prior year adjustments	(52)	(48)	-	(100)
Plus presentation differences				
Dividends returned to owners	75	756	44	-
AAS Net surplus/(deficit)	(996)	509	23	(1,290)