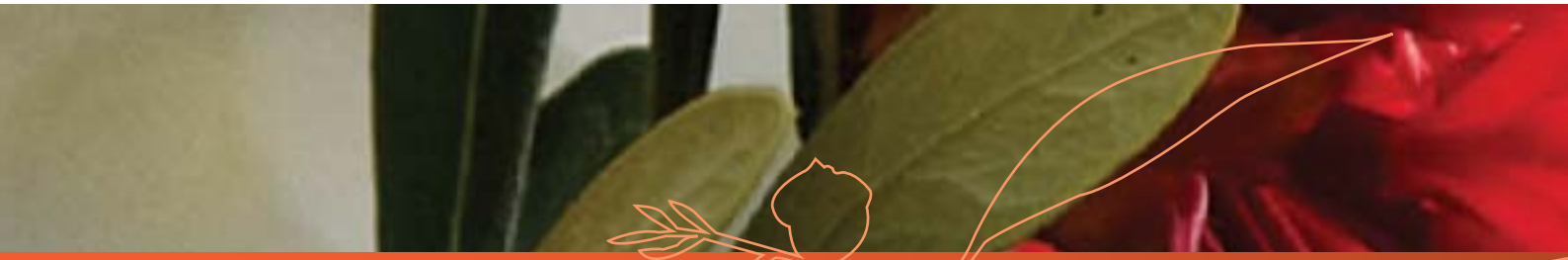
TASCORP



TASMANIAN PUBLIC FINANCE CORPORATION

2011-12

TASCORP | ANNUAL REPORT

STATEMENT OF COMPLIANCE

10 August 2012

Dear Treasurer,

In accordance with Section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament, the report of the Tasmanian Public Finance Corporation for the year ended 30 June 2012.

The report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995*.

Signed in accordance with a resolution of directors.

D.W. Challen
Chairman

J.B. Hindmarsh
Director

CONTENTS

STATEMENT OF CORPORATE INTENT

INTRODUCTION

The Statement of Corporate Intent has been prepared pursuant to Section 41 of the *Government Business Enterprises Act 1995* and in accordance with the Ministerial Charter for TASCORP.

STRATEGIC DIRECTION

The principal purpose of TASCORP is to develop and implement borrowing and investment programs for the benefit of the State.

TASCORP operates in accordance with the *Tasmanian Public Finance Corporation Act 1985 (Portfolio Act)*; and the *Government Business Enterprises Act 1995*.

Core Business

In accordance with the Ministerial Charter and the Treasurer's letter of 17 November 2011, the core business of TASCORP is to:

- raise funds in domestic and offshore capital markets;
- lend the proceeds to its public sector clients;
- offer deposit facilities to assist its public sector clients with their cash management activities;
- provide financial risk management advisory services to the State and its public sector clients; and
- reinvest surplus funds in Board-approved financial assets.

It is TASCORP's strategic intent to remain a reliable and secure source of funding for the public sector in Tasmania regardless of any difficulties caused by global financial conditions.

Key Business Strategies

For the period 2012-13 to 2015-16, key business strategies for TASCORP are focused on mitigating refinancing and liquidity risks by:

- borrowing when, and in a manner, supported by market conditions;
- maintaining a volume of Preferred Stock borrowings of greater than 6 months to maturity, equal to or greater than the volume of client loans (excluding working capital advances); and
- diversifying funding sources particularly by expanding offshore investor participation in Preferred Stock issues.

Key Limitation to achieving Key Business Strategies

TASCORP's cost of borrowing, and its access to debt capital markets, depends on the State's credit rating over which the Corporation has very little control.

CHAIRMAN'S REPORT

Reducing Tasmania's exposure to refinancing risk has been TASCORP's key focus in 2011-12.

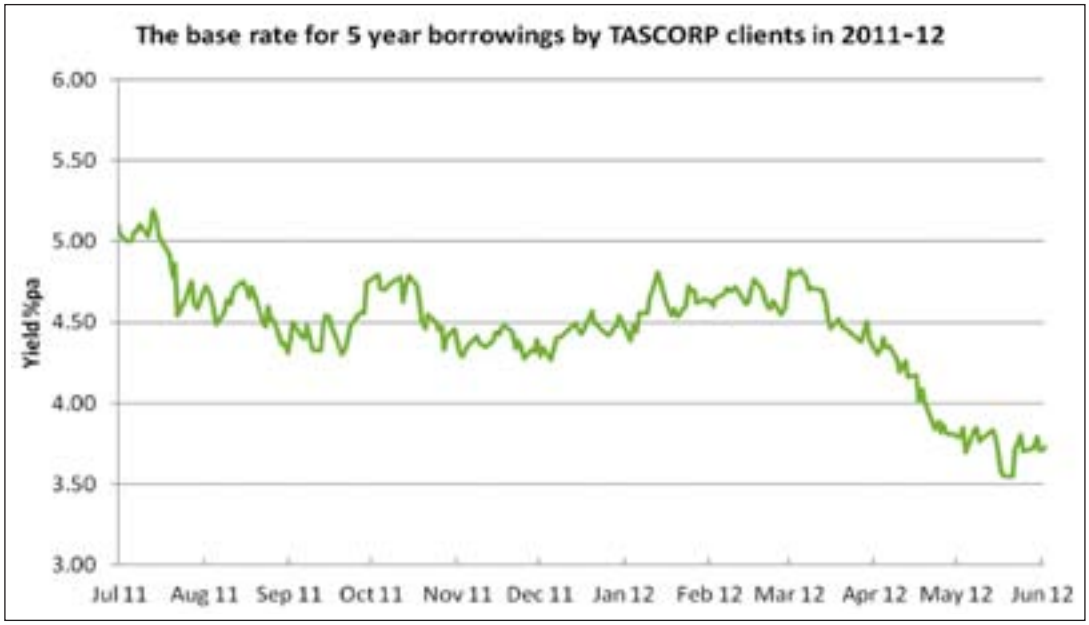
In December 2010, the Basel Committee on Banking Supervision and the Australian Prudential Regulation Authority (APRA) issued guidelines for a prudential liquidity standard for the banking industry that is expected to come into force by 2015. The global financial crisis highlighted the vulnerability of financial institutions that place reliance on short term wholesale markets for funding of long term loans and financial investments. At times of market crisis even sound financial institutions can face difficulty in sourcing funding from confidence sensitive markets. The new liquidity standard, which is part of the wider Basel III banking reforms, will require financial institutions to fund long term assets with long term borrowings and stable deposits.

Consistent with this new liquidity standard, the TASCORP Board decided to shift the Corporation to a more conservative funding model. Until recent times, TASCORP has been quite willing to fund a portion of client loans with short term borrowings and client deposits. When the Board reviewed the Corporation's Liquidity Policy in late 2010-11 it recognised that the majority of client loans are more likely to be rolled over than be repaid. The Board therefore considered that it was prudent to move to a policy of funding all client loans, excluding working capital advances, with long term borrowings. To implement this policy, TASCORP raised $1.4 billion for terms of between two and eight years in 2011-12. The money was used to retire short term borrowings.

As I foreshadowed in last year's annual report, increasing the amount of longer term funding at the expense of cheaper short term funding necessitated an increase in the client lending margin. The margin increase reflects the lower investment returns TASCORP earns from surplus longer term borrowings and the costs of borrowing long term and lending short term. As at May 2012, the weighted average term of TASCORP's Preferred Stock on issue was 3.4 years compared to the 2.2 years weighted average term of the client loans funded with Preferred Stock. The Treasurer has issued a guideline to Government businesses requiring them to align their debt management objectives and strategies to those of the Government. In particular, Government businesses are required to borrow for terms that reduce the potential for the State to be exposed to excessive amounts of refinancing risk.

The increase in the lending margin has been more than offset by falling interest rates through 2011-12. As the following graph shows, the base rate for a five year client loan has fallen by 1.75 percentage points since 1 July 2011. Lower borrowing costs in 2011-12 in part reflect the decline in Australian Commonwealth Government bond yields throughout the year and with it, a decline in State and Territory bond yields. The credit standing of Australia relative to other countries has underpinned demand for Commonwealth and State and Territory bonds, particularly from offshore investors looking for government securities rated AAA by Standard & Poor's or Aaa by Moody's.

CHART 1



TASCORP has produced a very satisfactory profit result in 2011-12. By comparison with a Corporate Plan forecast of $5.1 million, net profit before tax (NPBT) was $11.2 million. The increase in NPBT was due to better than expected margins from our client lending business due to lower than budgeted borrowing and hedging costs ($3.1 million), improved investment returns ($2.1 million) and extraordinary demand for TASCORP Commercial Paper particularly in the first half of the financial year when global concerns about European banks were elevated ($0.9 million). The better than expected profit enabled the Board to pay an additional dividend of $4.326 million on 29 June 2012 thereby taking the full dividend payment made during the 2011-12 financial year to $6.445 million. Consistent with the Lump Sum Dividend and Tax Equivalent Regime applicable to TASCORP, the Corporation expects to make an ordinary dividend payment of $1.629 million on 15 December 2012 along with a Tax Equivalent payment of $3.371 million.

I am pleased to take this opportunity to thank my fellow directors, and the staff, for their respective contributions to TASCORP in 2011-12. We continue to operate in very challenging times, which requires constant vigilance. I am grateful to the people at TASCORP for their on-going efforts in this regard.

D.W. Challen
Chairman

August 2012

CHIEF EXECUTIVE OFFICER'S REPORT

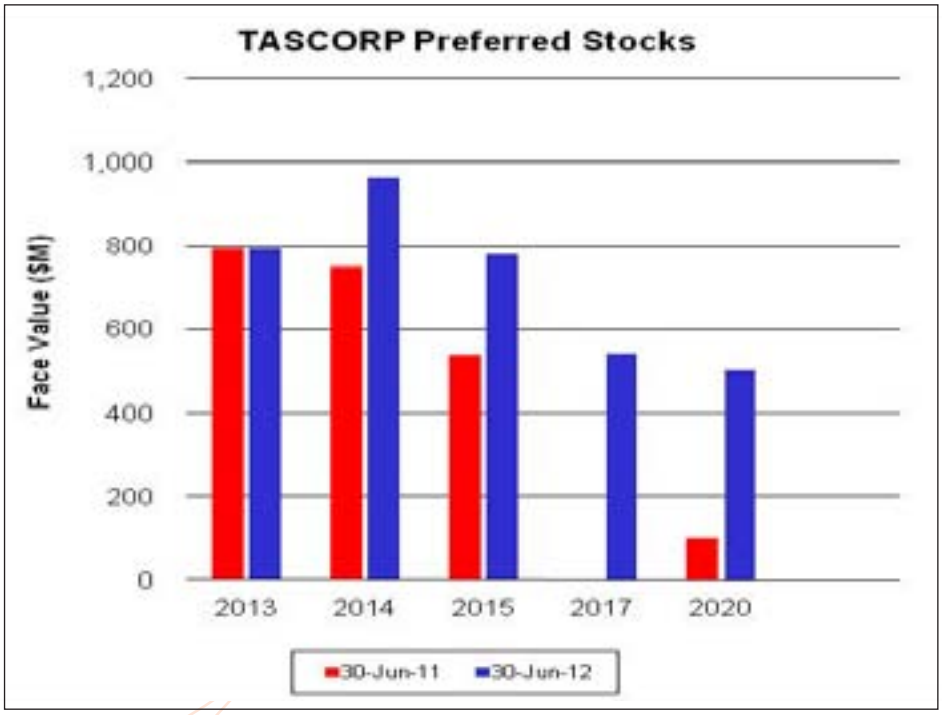
Implementing last year's decision to reduce refinancing risk has dominated TASCORP's business activities in 2011-12.

Debt capital markets remained fragile in 2011-12. Concerns about Europe closed the domestic bond market to new issues by Australian States and Territories and other issuers from mid November 2011 until early February 2012. The concomitant flight to Australian Commonwealth Government bonds caused the margin between State and Commonwealth bonds to return to levels not seen since 2008-09 when Lehman Brothers collapsed. The closure of the bond market forced TASCORP to adapt its borrowing programme to market conditions as those conditions developed through the year. As a consequence, short-term borrowing via the Commercial Paper markets remained in place for longer than we had anticipated and it took until the end of June 2012 to complete our planned issuance of Preferred Stock.

BORROWING ACTIVITY

As noted by the Chairman in his report, the Corporation issued $1.4 billion of Preferred Stock in 2011-12. Two thirds of this funding was for terms of either six or eight years. As at 30 June 2012, TASCORP had $1.32 of long term borrowings for every $1.00 of client loans, excluding working capital advances. Chart 2 shows the face value of outstandings under each line of Preferred Stock as at 30 June 2011 and 30 June 2012.

CHART 2



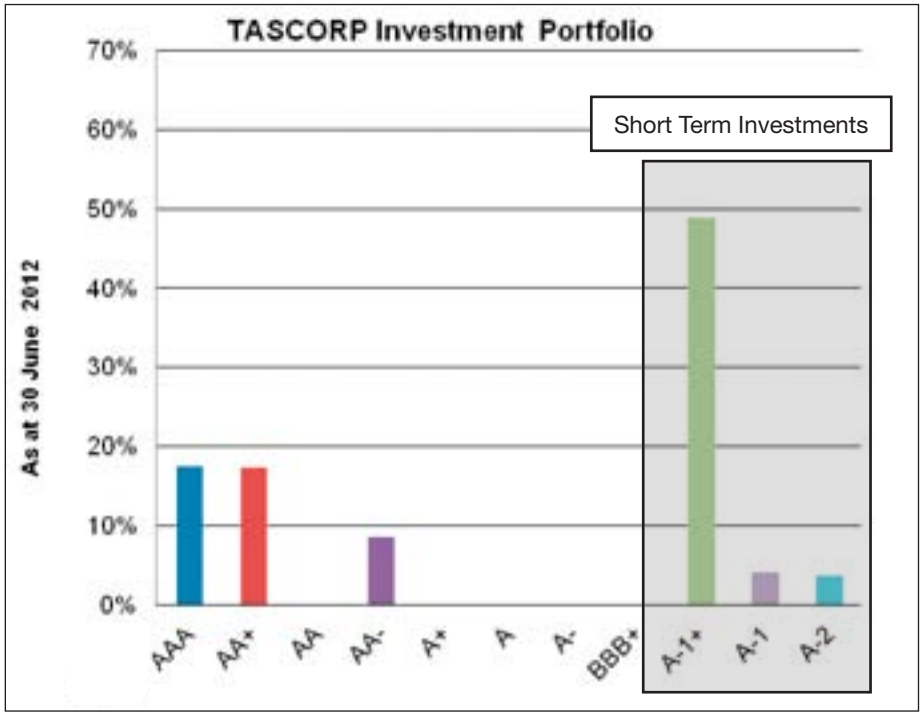
CLIENT LENDING

TASCORP provided loans of $958 million to clients in 2011-12. Almost all of these loans were used by clients to refinance existing borrowings. The total volume of client advances (excluding committed but not yet settled advances of $228 million) was $3.1 billion as at 30 June 2012 compared to $3.0 billion as at 30 June 2011.

INVESTING ACTIVITY

Chart 3 shows TASCORP's investment portfolio by credit rating as at 30 June 2012. Relative to a year ago, TASCORP has increased its investments in AAA and AA+ bonds issued by other Australian States. These investments are used as a source of readily available liquidity and to hedge the market risk associated with long term borrowings that are reinvested pending drawdown by clients.

CHART 3



CLIENT DEPOSITS

Despite our expectations to the contrary, total client deposits remained stable throughout the 2011-12 financial year. That was largely due to higher than expected short term cash balances from one or two clients that obscured the longer term trend evident for some time, which is that TASCORP's deposit base is in decline. Bank term deposit rates continue to be in excess of the wholesale market rate paid by TASCORP for deposits. As a consequence, clients are continuing to withdraw money from TASCORP to take advantage of the rates being paid by banks.

PERFORMANCE MEASURES

Each year TASCORP asks its clients to rate its service based on the service attributes identified by clients as being important to them. The service attributes are based on market research conducted for TASCORP and are rated on a scale of 1 to 5, where 1 equals "poor" and 5 equals "excellent". The results of the 2012 client survey are set out in Table 1 below.

TABLE 1

Average rating (out of 5.0) from all respondents who rated TASCORP's services against 14 attributes of service.	**2011**	**2012**
Borrowing Service	3.96	4.17
Investment Service	3.85	3.95
Advisory Service	4.21	4.38
Strength of Relationship	4.30	4.41
Number of respondents who considered there had been an increase/(decrease) in the level of service they received	8/(0)	5/(0)

A comparison of survey scores over the past six years shows an improving trend, particularly in the level and quality of advice clients have been receiving from TASCORP. I would like to take this opportunity to record my thanks and appreciation for the efforts of the TASCORP team to deliver this result. This effort is particularly noteworthy given the very difficult market conditions we have had to contend with over this period.

During the 2011-12 financial year, the Treasurer and TASCORP renegotiated TASCORP's Statement of Corporate Intent (SCI). The new SCI appears on page 3 of this Annual Report. Part of the new SCI includes performance targets that will become formal measures of performance from the 2012-13 financial year. These targets include:

- a cap on the amount of risk TASCORP is allowed to expose the Shareholder to (represented by the maximum amount of Effective Capital Employed by TASCORP), and
- a targeted rate of return on Effective Capital Employed.

TASCORP welcomes the formal adoption of these performance measures by the Shareholder. Containing the risk within the Effective Capital Employed limit is a key daily activity at TASCORP and a metric that is monitored closely by both management and the Board. Likewise, return on Effective Capital Employed is a performance metric that receives close attention at TASCORP.

COMMUNITY SUPPORT

TASCORP continues to sponsor the TASCORP Prize in Finance for the student at the University of Tasmania who scores the highest aggregate marks in BEA286 Investment Analysis and BFA281 Financial Management. The recipient of this year's prize was Stephen Knop.

Stephen Knop (left) receiving the TASCORP Prize in Finance from TASCORP's CEO.

CLOSING REMARKS

As has been noted in previous TASCORP annual reports the global financial crisis, which began as a collapse of the sub-prime mortgage market in 2007 and developed into a banking crisis in late 2008, is now a full blown sovereign debt crisis in many countries around the world, particularly in Europe. It is very hard to see how this situation is going to change any time soon. As a consequence, there is an on-going need to be prepared for unexpected and unpleasant surprises. TASCORP is doing that by reducing its exposure to short term borrowings, pre-funding debt maturities and client lending well in advance of when the money is required and keeping its surplus cash in very conservative and readily saleable investments. It is our intention to continue with this strategy during 2012-13.

J.B. Hindmarsh
Chief Executive Officer

August 2012

THE TASMANIAN ECONOMY

The Australian economy continues to outperform most other advanced economies. However, the performance continues to diverge across individual sectors and areas. The resources sector – mainly mining and energy resources – continues to grow at an above average rate. In particular, the value of mining production and investment has increased significantly, while most other sectors have performed more modestly. Consequently, Tasmania's performance has not matched Australia's as Tasmania is not a major exporter of high value minerals or metals nor does it supply goods and services to the mining and related businesses in the resource-rich states.

Private consumption in Tasmania continues to grow slowly as savings rates remain high, employment prospects appear weaker and consumer confidence remains at low levels evidenced by the level of discretionary spending over the past two years. The 2012-13 Tasmanian Budget estimated that Tasmania's GSP grew by 1.25% in 2011-12. GSP growth of 1.25% is also forecast in 2012-13.

The impact of the weaker economic conditions is flowing through to the labour market. The Australian Bureau of Statistics estimated that the level of Tasmanian employment decreased by 0.90% in 2011-12, in year-average terms, and is yet to recover to the pre 2008 global downturn levels, unlike other jurisdictions. The unemployment rate averaged 6.30% in 2011-12, and is expected to rise to 7.50% in 2012–13.

The Tasmanian population increased by 0.52% through the year to December 2011 to 511, 718 persons; around half the growth rate recorded nationally. Population growth is expected to remain weak in 2012-13 due to net outward migration from Tasmania to mainland states, in response to employment opportunities on the mainland.

The high value of the Australian dollar continues to have a significant negative effect on the competitiveness and profitability of many Tasmanian exporters, particularly in the manufacturing and forestry industries.

THE TASCORP BOARD

DON CHALLEN
Chairman and Audit Committee Member

Don Challen has been a director of TASCORP since March 1991 and was appointed Chairman in March 1993. He has extensive board experience and currently is chairman of the Motor Accidents Insurance Board, chairman of Transend Networks Pty Ltd and deputy president of the Retirement Benefits Fund Board. He is also a director of Tasmanian Symphony Orchestra Holdings Ltd. Previously, Don has served for extended periods as a director of Hydro Tasmania and Trust Bank, as a member of the Basslink Development Board and as chairman of the Tasmanian Gaming Commission. He is a Fellow of The Institute of Chartered Accountants, of CPA Australia, of the Australian Institute of Company Directors and of the Institute of Public Administration. Don is an economist, specialising in public finance.

CAROL AUSTIN
Director and Audit Committee Member

Carol Austin is the Investment Services Director for Contango Asset Management, is a director of HSBC Bank Australia and the Future Fund Board of Guardians and was appointed a director of TASCORP in 2004. Carol has extensive experience in economic analysis, public policy and business management. Carol has an honours degree in economics from ANU, a science degree in mathematics and statistics from Monash University, is a Graduate Member of the Australian Institute of Company Directors, and a member of the Advisory Board of the Melbourne Institute of Applied Economic and Social Research, University of Melbourne.

Pictured from left to right: John Hindmarsh, Jann Skinner, Don Challen, Carol Austin and Ian MacDonald. Absent: Martin Wallace.

JOHN HINDMARSH
Director and Chief Executive Officer

John Hindmarsh was appointed a director and Chief Executive Officer of TASCORP in May 2002. John has over 30 years' experience in the debt capital markets arranging finance for businesses, managing investment portfolios and managing the risks associated with borrowing and investing activities. He has a masters degree in business administration, has been a part-time lecturer in corporate finance at the University of Auckland, and was previously a director of the New Zealand Venture Investment Fund. He is a Graduate Member of the Australian Institute of Company Directors.

IAN MACDONALD
Director and Audit Committee Member

Ian MacDonald was appointed director of TASCORP on 31 May 2010 and a member of the Audit Committee in June 2010. He is a director of Arab Bank Australia Ltd, Elders Limited, Rural Bank Ltd and Genworth Financial Mortgage Insurance Pty Ltd. He is a Member of the Australian Institute of Company Directors, and is a Senior Fellow of the Financial Services Institute of Australasia. Ian has had an extensive career in banking and finance both in Australia and overseas, spanning more than 35 years.

JANN SKINNER
Director and Chairman of the Audit Committee

Jann Skinner was an audit partner with the firm of PricewaterhouseCoopers, and was appointed to the Board of TASCORP in October 2008. She is a director of Enstar Australia, QBE Insurance Australia and Create Foundation Ltd. She is a Fellow of the Australian Institute of Company Directors, a Fellow of The Institute of Chartered Accountants in Australia and holds a commerce degree. Jann brings to the Board substantial experience in accounting, auditing and financial reporting.

MARTIN WALLACE
Director

Martin Wallace is Secretary of the Department of Treasury and Finance. He has extensive experience in the areas of public policy, economics, public finance, energy and telecommunications from a career spanning over 35 years. Martin has held several directorships and is a Member of the Australian Institute of Company Directors.

CORPORATE GOVERNANCE STANDARDS

The Board of TASCORP and its senior management have a continuing commitment to improving core Board processes as outlined in the following statement of Corporate Governance Standards.

- The Board comprises a non-executive Chairman, Mr D Challen, four independent directors, Ms C Austin, Mr I MacDonald, Ms J Skinner and Mr M Wallace, and an executive director, the Chief Executive Officer Mr J Hindmarsh, each of whom is appointed by the Governor-in-Council on recommendation of the Treasurer of the State of Tasmania. The skills and experience of the directors are listed on pages 10 and 11 of the annual report.
- The directors individually acknowledge the need to observe the Code of Conduct issued by the Australian Institute of Company Directors (AICD) and to annually review, sign and commit to the TASCORP Code of Ethics and Professional Conduct. There were no departures from the AICD Code of Conduct or the TASCORP Code of Ethics and Professional Conduct during 2011-12.
- The Board approves each year a rolling four-year corporate plan and an annual business plan developed and reviewed in conjunction with management. The Board regularly monitors performance against these plans and the requirements of the ministerial charter and the needs of other stakeholders.
- The Board annually reviews the remuneration and performance of the CEO and senior management.
- The Audit Committee comprises all non-executive directors of TASCORP, with the exception of Mr M Wallace, and is chaired by Ms Jann Skinner. Ms Skinner has chaired the Audit Committee since 14 August 2009. The Board annually reviews the charter and the effectiveness of the Audit Committee. The Audit Committee operates in accordance with its charter. The main responsibilities are to:
  - appoint the internal auditors;
  - determine the scope of the internal audit function via approval of the internal audit plan, ensuring that resources are adequate, effectively used and a satisfactory level of performance is maintained;
  - review, assess and approve the annual financial report and all other financial information released by the organisation;
  - assist the Board in reviewing the adequacy of the internal control environment; and
  - report on matters relevant to the committee's role and responsibilities.
- Directors may seek independent professional advice in connection with their duties as directors of the Corporation, both individually and collectively, at TASCORP's expense in accordance with an agreed protocol.
- Board members have reasonable access to senior managers of TASCORP.
- External reviews of the Board's effectiveness are conducted periodically.
- The Board annually reviews the continuing relevance of the Corporate Governance Standards established to govern its activities.
- Directors annually update the Register of Interests maintained by the Corporate Secretary. Where a director has an interest that is deemed to be relevant to Board matters, it is declared, minuted and the director takes no part in discussions on the issue.
- The Board has approved a suite of risk management policies that are monitored daily by management and compliance is reported monthly to the Board.

FUNCTIONS AND POWERS

The functions and powers of the Tasmanian Public Finance Corporation are detailed in Section 11 of the *Tasmanian Public Finance Corporation Act 1985* and the *Tasmanian Public Finance Corporation Amendment Act 1995* as follows:

"To develop and implement borrowing and investment programmes for the benefit of participating authorities; and ... to engage in such other activities relating to the finances of the Government of the State or participating authorities as are contemplated by this Act or approved by the Treasurer."

In addition, the Corporation may with the approval of the Treasurer:

- borrow money within or outside Australia;
- lend money to State authorities;
- accept money on deposit or loan from the Treasurer or a State authority;
- place on deposit with the Treasurer, a bank, or a financial institution money held by the Corporation;
- invest money held by the Corporation;
- issue, sell, purchase, pay off, repurchase, redeem, convert or otherwise deal in or with securities;
- open and maintain accounts with banks;
- appoint a bank, financial institution, or other person to act as underwriter, manager, trustee, or agent in connection with any transaction within or outside Australia;
- enter into contracts of guarantee;
- acquire, hold, deal with and dispose of real and personal property;
- enter into any agreement or arrangement for the purpose of returning a gain, avoiding a loss, or with a view to avoiding a loss by reference to currency obligations, currency exchange rate movement or interest rate movement;
- enter into any agreement or arrangement for the purposes of managing or varying financial returns or financial or currency risks (including but not limited to risks arising from currency exchange rates or interest rates);
- enter into any agreement or arrangement of a kind not previously mentioned or acquire or incur any other rights or liabilities; or
- exercise any other powers that are necessary or expedient for the performance of its functions.

CREDIT RATINGS

The current ratings assigned to TASCORP's various debt facilities by the two major credit rating agencies are:

	Moody's Investors Service	Standard and Poor's
Long-Term Domestic Debt	Aaa	AA+
Domestic Commercial Paper	P1	A.1+
Euro Commercial Paper	P1	A.1+

ADDITIONAL STATUTORY REPORTING

Treasurer's Instruction GBE 08-57-02 – Procurement Reporting Arrangements

- Wherever possible TASCORP supports Tasmanian businesses by sourcing goods and services from local suppliers. During the year ended 30 June 2012, the following procurement contracts were entered with a value in excess of $50,000.
  - Moody's Investors Service - Rating agency services

Public Interest Disclosures Act 2002 - Section 86 - Reporting Requirements

- Procedures to comply with the requirements of the *Public Interest Disclosures Act 2002* have been approved and are disclosed on TASCORP's website.
- There were no reported or reportable disclosures under the Public Interest Disclosures Act during the financial year ended 30 June 2012.

Right to Information Act 2009 - Section 23 - Reporting Requirements

- The Corporation did not receive any applications for assessed disclosure during the financial year ended 30 June 2012.

FACILITY MEMBERSHIP

A$5,000 MILLION DOMESTIC BOND FACILITY

ISSUING and PAYING AGENT

SFE Clearing
Austraclear Limited
30 Grosvenor Street
Sydney NSW 2000

DEALER PANEL

Citigroup Global Markets Australia Pty Ltd
120 Collins Street
Melbourne VIC 3000

Commonwealth Bank of Australia
385 Bourke Street
Melbourne VIC 3000

Deutsche Bank AG
Level 16, Deutsche Bank Place
Cnr Hunter and Phillip Streets
Sydney NSW 2000

National Australia Bank
500 Bourke Street
Melbourne VIC 3000

UBS AG
Level 16, Chifley Tower
2 Chifley Tower
Sydney NSW 2000

A$2,500 MILLION DOMESTIC COMMERCIAL PAPER FACILITY

ISSUING and PAYING AGENT

SFE Clearing
Austraclear Limited
30 Grosvenor Street
Sydney NSW 2000

DEALER PANEL

Commonwealth Bank of Australia
385 Bourke Street
Melbourne VIC 3000

Deutsche Bank AG
Level 16, Deutsche Bank Place
Cnr Hunter and Phillip Streets
Sydney NSW 2000

Macquarie Bank Ltd
No. 1 Martin Place
Sydney NSW 2000

National Australia Bank
500 Bourke Street
Melbourne VIC 3000

US$2,500 MILLION EURO COMMERCIAL PAPER FACILITY

FACILITY AGENT

Deutsche Bank AG, London Branch
1 Great Winchester Street
London EC2N 2DB
United Kingdom

ISSUE AGENT and PRINCIPAL PAYING AGENT

Deutsche Bank AG, Hong Kong Branch
48th Floor
2 Queens Road, Central
Hong Kong 7323

DEALER PANEL

Barclays Bank plc
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

42nd Floor, Citibank Tower
3 Garden Road, Central
Hong Kong

Citibank International plc
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

50/F Citibank Tower, Citibank Plaza
Garden Road, Central
Hong Kong

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

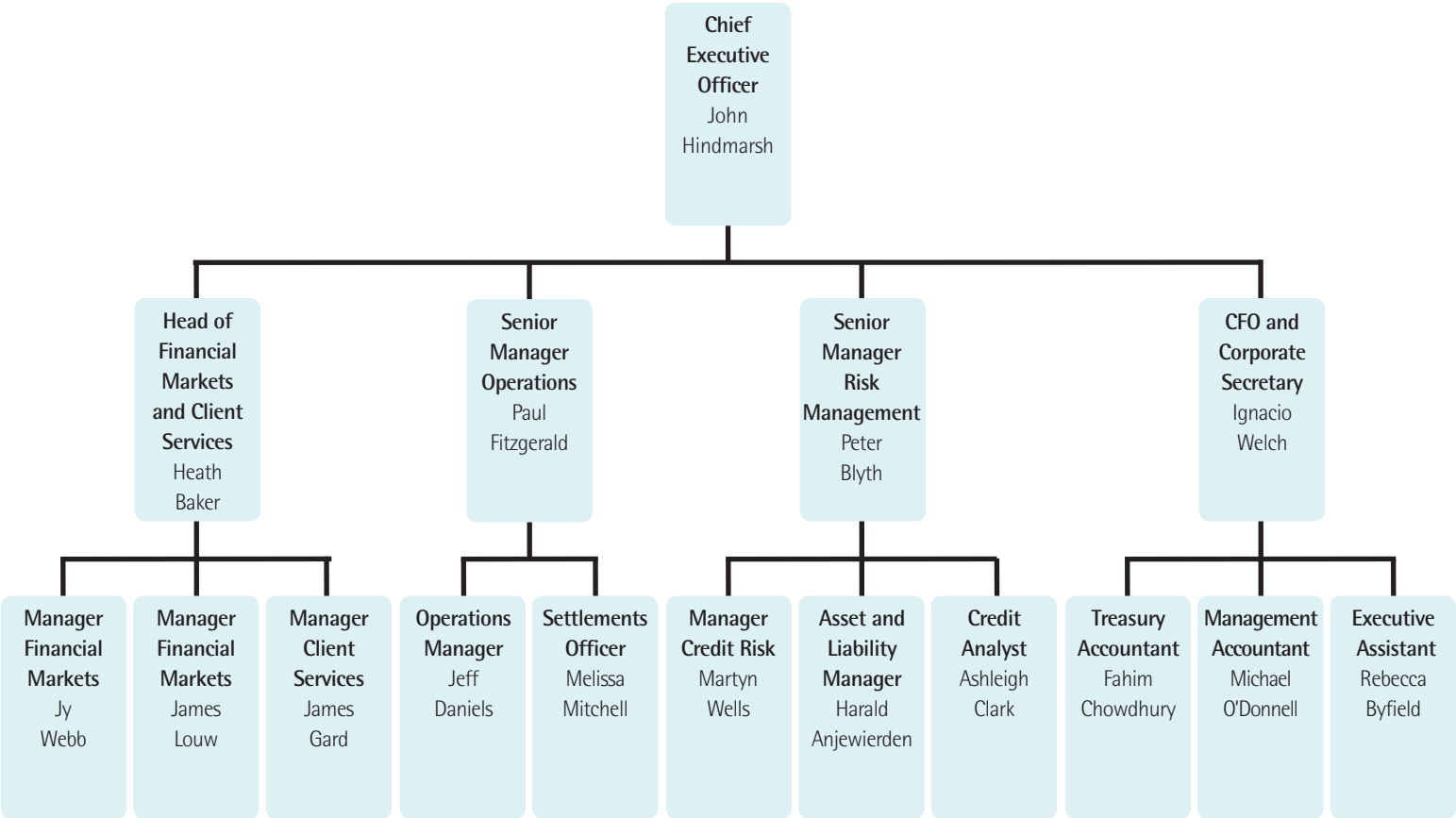
One Raffles Quay
South Tower Level 17
Singapore 048583

TASCORP CLIENT LISTING

The following clients borrow and/or invest with TASCORP:

Aurora Energy Pty Ltd	Motor Accidents Insurance Board
Break O'Day Council	Northern Midlands Council
Brighton Council	Port Arthur Historic Site Management Authority
Central Coast Council	Private Forests Tasmania
Central Highlands Council	Retirement Benefits Fund Board
Clarence City Council	Sorell Council
Circular Head Council	Southern Midlands Council
Dulverton Regional Waste Management Authority	Southern Regional Natural Resource Management
Department of Economic Development	Southern Waste Solutions
Department of Education	State Fire Commission
Department of Treasury and Finance	State Library and Archive Trust
Derwent Valley Council	Tasman Council
Devonport City Council	Tasmanian Convention Bureau
Dorset Council	Tasmanian Irrigation Development Board
Flinders Council	Tasmanian Irrigation Schemes Pty Ltd
Forestry Tasmania	Tasmanian Polytechnic
Forest Practices Authority	Tasmanian Ports Corporation Pty Ltd
George Town Council	Tasmanian Railway Pty Ltd
Glamorgan-Spring Bay Council	Tasracing Pty Ltd
Glenorchy City Council	Tasmanian Water & Sewerage Corporation (Common Services) Pty Ltd
Hobart City Council	Tasmanian Water & Sewerage Corporation (Northern Region) Pty Ltd
Huon Valley Council	Tasmanian Water & Sewerage Corporation (North-Western Region) Pty Ltd
Hydro Tasmania	Tasmanian Water & Sewerage Corporation (Southern Region) Pty Ltd
Kentish Council	Transend Networks Pty Ltd
King Island Council	TT-Line Company Pty Ltd
King Island Ports Corporation Pty Ltd	University of Tasmania
Kingborough Council	Wellington Park Management Fund
Launceston City Council	Waratah-Wynyard Council
Legal Aid Commission of Tasmania	West Coast Council
Marine and Safety Tasmania	West Tamar Council
Metro Tasmania Pty Ltd	

TASCORP ORGANISATION CHART



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	2011-12 $000	2010-11 $000
Interest revenue	3(a)	365,831	348,184
Less: Interest expense	3(a)	(337,474)	(327,000)
Net gains/(losses) arising from financial instruments	3(b)	(11,668)	(6,434)
Other revenue	3(c)	535	673
New revenue from operations	4	**17,224**	**15,423**
Operational expenses	5	(5,987)	(5,819)
Profit before income tax equivalent expense		**11,237**	**9,604**
Income tax equivalent expense	6	(3,371)	(2,881)
Profit after income tax equivalent expense		**7,866**	**6,723**
Other comprehensive income		-	-
Total comprehensive income		**7,866**	**6,723**

The total comprehensive income is attributable to the State of Tasmania as owner.
The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 $000	2011 $000
ASSETS			
Cash		1,121	974
Investments	7	3,081,251	4,126,711
Client advances	8	3,141,851	2,970,648
Derivative financial instruments	9	153,517	44,956
Receivables	10	119,038	12,017
Plant and equipment	11	147	204
Intangible assets	12	40	51
Total assets		**6,496,965**	**7,155,561**
LIABILITIES			
Payables	13	87,501	647
Current tax liabilities	6	3,371	2,881
Client deposits	14	1,177,998	1,195,980
Borrowings	15	5,040,617	5,790,389
Derivative financial instruments	16	144,073	123,747
Provisions	17	509	442
Total liabilities		**6,454,069**	**7,114,086**
Net assets		**42,896**	**41,475**
EQUITY			
Reserves		10,000	10,000
Retained profits		32,896	31,475
Total equity		**42,896**	**41,475**

Total equity is attributable to the State of Tasmania as owner.
The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	General reserve $000	Retained profits $000	Total $000
Balance as at 1 July 2010	**10,000**	**28,466**	**38,466**
Dividends paid	-	(3,714)	(3,714)
Profit for the year	-	6,723	6,723
Other comprehensive income for the year	-	-	-
Total comprehensive result for the year	-	6,723	6,723
Balance as at 30 June 2011	**10,000**	**31,475**	**41,475**
Dividends paid	-	(6,445)	(6,445)
Profit for the year	-	7,866	7,866
Other comprehensive income for the year	-	-	-
Total comprehensive result for the year	-	7,866	7,866
Balance as at 30 June 2012	**10,000**	**32,896**	**42,896**

The Corporation has created a General Reserve of $10,000,000 from accumulated retained profits, to partially cover the risks associated with its role as the central borrowing authority for the State of Tasmania.
The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	2011-12 $000	2010-11 $000
Cash flows from operating activities			
Interest and other receipts		373,928	407,721
Interest and other payments		(456,815)	(310,390)
Payments to suppliers and employees		(5,852)	(5,749)
Income tax equivalent paid		(2,881)	(4,866)
		(91,620)	86,716
(Increase)/decrease in operating assets:			
Client advances		126,902	(39,199)
Investments		316,166	(1,192,994)
		443,068	(1,232,193)
Increase/(decrease) in operating liabilities:			
Deposits from clients		-	(3,609)
Short-term borrowings		(2,221,690)	2,747,944
		(2,221,690)	2,744,335
Net cash flow provided by/(used in) operating activities	18(c)	**(1,870,242)**	**1,598,858**
Cash flows from investing activities			
Payment for purchase of plant and equipment and intangible assets		-	(51)
Proceeds from sale of plant and equipment		-	3
Net cash flow used in investing activities		**-**	**(48)**
Cash flows from financing activities			
Proceeds from issuance of preferred stocks		1,375,354	752,202
Repayment of preferred stocks		-	(1,367,043)
Dividends paid		(6,445)	(3,714)
Net cash flow used in financing activities		**1,368,909**	**(618,555)**
Net increase/(decrease) in cash and cash equivalents		**(501,333)**	**980,255**
Cash and cash equivalents at the beginning of the financial year		1,228,425	248,170
Cash and cash equivalents at end of the financial year	18(b)	**727,092**	**1,228,425**

The accompanying notes form an integral part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tasmanian Public Finance Corporation (TASCORP or the Corporation) was established under the *Tasmanian Public Finance Corporation Act 1985*, as amended. The Corporation operates in the Tasmanian public sector, providing borrowings, investments, debt and asset management services, and advisory services to the Tasmanian government, government business enterprises, state owned companies, local government councils, and other public entities (together called participating authorities). The principal accounting policies adopted in preparing these general purpose financial statements are stated hereafter to assist in the general understanding of these financial statements.

(a) Basis of preparation and statement of compliance

These general purpose financial statements (referred to throughout this report as the Financial Statements) have been prepared in accordance with the requirements of the *Government Business Enterprises Act 1995*, Australian Accounting Standards, International Financial Reporting Standards (IFRS), and other authoritative announcements and mandatory financial reporting requirements.

The Financial Statements have been prepared on an accruals basis under the historic cost convention, with the majority of financial assets and liabilities, including derivative instruments, at fair value through profit or loss. (Refer notes 1(e) and 1(g)).

(b) Adoption of new and revised accounting standards

AASB 13 Fair Value Measurement. AASB 13 replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. AASB 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, AASB 13 does not change the requirements regarding which items should be measured and disclosed at fair value. The impact from the adoption of AASB 13 is discussed in Note 2 and is not considered significant. The Corporation has early adopted this standard.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from Annual Improvements Project. Key amendments include clarification of the content of the statement of changes in equity and financial instrument disclosures. The adoption of this standard has not had any significant impact on the Corporation's Financial Statements.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosure on Transfers of Financial Assets. The amendments introduce additional disclosures regarding the transfer of financial assets, e.g. securitisations, including the possible effects of any risks that may remain with the entity that transferred the assets. The adoption of this standard has not had any significant impact on the Corporation's Financial Statements.

No other new or revised accounting standards mandatory for the year ended 30 June 2012 have had an impact on the Corporation's financial statements.

(c) Translation of foreign currency transactions

The Corporation has financial assets and liabilities denominated in foreign currencies. It is the Corporation's policy to fully hedge the currency exposure from these types of assets and liabilities by entering into either cross-currency swaps or forward foreign exchange contracts.

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates at that date.

All exchange gains and losses are brought to account in the profit or loss.

(d) Income tax

The Corporation is liable to pay tax equivalents to the Tasmanian Government as provided in Part 10 of the *Government Business Enterprises Act 1995*. The Government has issued an instruction requiring the Corporation to account for tax based on its accounting profits/(losses) rather than in accordance with the Income Tax Assessment Act. As no temporary differences arise from this taxation regime, no amounts are set aside to deferred income tax, other than any deferred tax asset arising on accounting losses. Refer note 6.

(e) Financial assets and liabilities

Purchases and sales of financial assets and liabilities are recognised on trade date, ie. the date on which the Corporation commits to purchase or sell the asset or liability with unsettled investments and borrowings recognised on the Statement of Financial Position. However, Client Advances are only shown on the Statement of Financial Position from date of drawdown.

The Corporation designates the majority of its financial assets as financial assets at fair value through profit or loss. Accordingly, changes in fair value are taken to the profit or loss. The Corporation designates its financial assets and liabilities at fair value through profit or loss as this eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Client advances are recorded at fair value through the profit or loss or on an amortised cost basis for those client advances in the banking book or funded by equity. Refer note 8.

Transaction costs are recognised as an expense when incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of some or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected. There is no impairment for bad and doubtful debts with no bad debts recorded in the current year or previous year.

(g) Derivative financial instruments

Derivatives are initially recognised at fair value on the date the transaction is committed to and are subsequently re-measured to their fair value. Any change in fair value is recognised through the profit or loss.

(h) Derecognition of financial assets and liabilities

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it substantially transfers all the risks and rewards of ownership of the asset to another entity. Similarly, the Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

(i) Plant and equipment and leasehold improvements

Plant and equipment comprising office furniture and equipment, computer systems, and vehicles are depreciated over their estimated useful lives, ranging from 3 to 7 years, on a straight-line basis. Leasehold improvements are depreciated over 5 years.

(j) Intangible assets

Computer software that is limited by licence is amortised using a straight-line method over the term of the licence. These assets are reviewed for impairment at the end of each annual reporting period. The remaining licence terms of software in use by the Corporation vary from 1 to 7 years. A trigger for impairment is a change in the continued use of the software.

(k) Employee benefits

Employee entitlements for salary accruals, superannuation, annual and long service leave outstanding at balance date are calculated in accordance with *AASB 119 Employee Benefits*. The Corporation makes contributions on behalf of employees to employee contributory superannuation funds in accordance with the Commonwealth's *Superannuation Guarantee (Administration) Act 1992*. The Corporation provides for long service leave in respect of all employees, based on the present value of the estimated future cash outflow to be made resulting from employees' services up to the balance date, and having regard to the probability that employees as a group will remain in the Corporation's employ for the period of time necessary to qualify for long service leave.

(l) Creditors

Creditors are recognised when the Corporation becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount approximates the fair value, as creditors are generally settled within thirty days.

(m) Cash flows

For the purpose of the Statement of Cash Flows, cash and cash equivalents refers to short-term financial assets and liabilities which are subject to insignificant risk of changes in market value, including "at call" deposits with banks net of bank overdrafts, highly liquid investments with less than 3 months to maturity, advances at call, borrowings at call, and deposits from clients at call.

(n) Dividends

The Corporation is subject to the payment of dividends to the Tasmanian Government as provided in its Ministerial Charter and Part 11 Division 2 of the *Government Business Enterprises Act 1995*. The Corporation pays dividends in accordance with Treasurer's Instruction TI GBE 13-114-04P Lump Sum Dividend and Income Tax Equivalent Regime, whereby 50% (35% in 2010-11) of the General Reserve (see Statement of Changes in Equity) is paid as tax equivalents and/or dividends annually. The taxation equivalent and ordinary dividend paid under this regime in 2011-12 were $2,881,000 and $2,119,000 respectively (2010-11: $4,866,000 and $nil). During 2011-12 an additional discretionary dividend of $4,326,000 was paid to the State of Tasmania (2010-11: $3,714,000).

(o) Revenue recognition

Revenue is recognised to the extent it is probable that economic benefits will flow to the Corporation and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Sale of financial instruments

Revenue is recognised when the significant risks and rewards of ownership of the financial instrument have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of the conclusion of the trade commitment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest

Revenue and expense is recognised for all financial assets and liabilities as interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Derivative interest receipts and payments are accrued on a net basis and classified as interest revenue or interest expense. This includes up front payments/receipts on interest rate swaps and forward points on foreign exchange contracts used to manage the interest rate or currency exposure of the financial assets and liabilities.

Change in market value

The movements in the market value of the fair valued financial assets, liabilities and derivative instruments are recognised as gains or losses in the profit or loss in the period in which the change in market value occurs.

(p) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(q) Rounding

All amounts have been rounded to the nearest thousand Australian dollars unless otherwise stated.

(r) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Corporation's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments: introduces new requirements for the classification and measurement of financial assets and is effective from 1 January 2013. Whilst the amendments to AASB 9 afford the Corporation the opportunity and the obligation to revisit its designation of financial assets at fair value through profit or loss, the Corporation will not finalise its position until AASB 9 has been finalised for hedge accounting.

NOTE 2: SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATIONS

Fair value of financial instruments

The fair value of financial assets and financial liabilities designated at fair value through the profit or loss is estimated for recognition and measurement purposes or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used for the Corporation's traded financial assets and financial liabilities is the current market mid price. In previous years, the Corporation had used the quoted bid price to fair value its traded financial assets and the quoted offer price to value its traded financial liabilities. The change to mid price was effected in 2011-12 due to the offsetting characteristics of the financial assets and financial liabilities and is now the standard pricing convention used by market participants. As the change to mid price is consistent with the early adoption of AASB 13, comparatives have not been restated. The impact of the change was an increase in valuation of net assets of $385,000.

The fair value of a financial instrument that is not traded in an active market is determined using the market accepted valuation technique for the instrument concerned, or net present value where no market convention exists. The Corporation uses assumptions that are based on the way the asset or liability was priced when it was acquired and market conditions existing at balance date. These assumptions at balance date were:

- Dealer market quotes for similar instruments or dealer market price assessments were used for valuing long-term illiquid investments. In general, the Corporation eliminates the high and low quote or assessment and averages the remainder to value the instrument. In a small number of cases, there may be fewer than three quotes or assessments available. In such cases all the quotes or assessments received are included in the calculation of the value.
- The fair value of client advances designated at fair value through the profit or loss are valued using the methodology that applied when the advances were originally priced. Prior to May 2009, client advances were priced at a margin relative to the TASCORP yield curve. Client advances made since May 2009 have been priced at a margin relative to a curve comprising actively traded Australian State bonds (the generic Semi Government curve).

The fair value of a swap contract (interest rate or foreign exchange) is calculated using market accepted valuation techniques to discount future cash flows using mid-point market yields and or exchange rates appropriate to the instrument. The fair value of a forward exchange contract is determined using mid-point forward exchange market rates at the balance date.

NOTE 3: REVENUES AND EXPENSES

(a) Interest revenue and expense

The following table shows the major categories of interest-bearing assets and liabilities and the amount of the interest revenue and expense.

	2011–12 $000	2010–11 $000
INTEREST REVENUE		
Interest on financial assets		
Domestic		
Client advances at amortised cost	15,743	18,332
Client advances at fair value through profit or loss	157,265	153,654
Governments and government institutions	40,976	31,443
Banks and other financial institutions	129,112	118,988
Other counterparties	22,735	25,767
Total interest revenue	**365,831**	**348,184**
INTEREST EXPENSE		
Interest on financial liabilities		
Domestic		
Deposits from clients	51,530	65,414
Preferred stocks	146,140	160,425
Commercial paper	68,936	51,952
Other securities	4,134	4,707
Overseas		
Commercial paper	65,015	42,068
Other securities	1,719	2,434
Total interest expense	**337,474**	**327,000**

NOTE 3: REVENUES AND EXPENSES (continued)

(b) Net gains/(losses) arising from financial instruments

	2011-12 $000	2010-11 $000
Financial assets at fair value through profit or loss		
Domestic		
Client advances at fair value through profit or loss	69,634	(8,912)
Governments and government institutions	40,219	1,811
Banks and other financial institutions	(360)	441
Other counterparties	(271)	(840)
Financial liabilities at fair value through profit or loss		
Domestic		
Preferred stocks	(122,662)	4,629
Commercial paper	(73)	(86)
Other securities	(345)	382
Overseas		
Commercial paper	202	(75)
Other securities	(629)	673
Derivative financial instruments at fair value through profit or loss	2,617	(4,457)
Total net gains/(losses) arising from financial instruments	**(11,668)**	**(6,434)**

(c) Other revenue

	2011-12 $000	2010-11 $000
Advisory and commitment fees	535	673
Other revenue	**535**	**673**

NOTE 4: NET REVENUE FROM OPERATIONS

Further explanation of the Corporation's net revenue from operations is as follows.

	Note	2011–12 $000	2010–11 $000
Interest revenue	3(a)	365,831	348,184
Less: Interest expense	3(a)	(337,474)	(327,000)
Net gains/(losses) arising from financial instruments	3(b)	(11,668)	(6,434)
Other revenue	3(c)	535	673
Net revenue from operations		**17,224**	**15,423**

		2011–12 $000	2010–11 $000
Alternative presentation of net revenue from operations			
Net margin income		26,222	19,755
Credit margin gains/(losses)	19(b)	(2,287)	1,345
Liability margin gains/(losses)	19(b)	(7,246)	(6,350)
Fee income		535	673
Net revenue from operations		**17,224**	**15,423**

Credit margin gains/(losses) reflect the fair value attributable to change in credit risk for investments. Liability margin gains/(losses) reflect the fair value attributable to the movement between the swap curve and the relevant yield curve as applied to the Corporation's borrowings and client loans.

NOTE 5: OPERATIONAL EXPENSES

	2011–12 $000	2010–11 $000
Borrowing costs		
Program and debt issuance fees	1,198	1,086
Rating agency fees	277	271
Bank and facility fees	47	47
	1,522	1,404
Administration expenses		
Salaries and related employee expenses	2,692	2,429
Information technology	505	301
(Profit)/loss on sale or disposal of plant and equipment	-	(3)
Depreciation of plant and equipment	57	59
Amortisation of computer software	11	24
Operating lease expense	167	162
Other expenses	1,033	1,443
	4,465	4,415
Operational expenses	**5,987**	**5,819**

NOTE 6: STATEMENT OF TAX EQUIVALENT

The Corporation's tax equivalent liability is calculated in accordance with the Treasurer's Instructions issued under the *Government Business Enterprises Act 1995*, which requires the Corporation to account for income tax based on accounting profit.

	2011–12 $000	2010–11 $000
Profit before income tax equivalent expense	11,237	9,604
Prima facie tax at 30%	3,371	2,881
Income tax equivalent expense	**3,371**	**2,881**

NOTE 7: INVESTMENTS

All investments are designated as financial assets at fair value through profit or loss. The majority of deposits from participating authorities and unallocated borrowings were invested in the following range of instruments as at balance date:

	2012 $000	2011 $000
Domestic		
Fixed and floating interest rate securities		
Governments and government institutions	1,016,069	576,017
Banks and other financial institutions	1,729,390	3,249,124
Other counterparties	335,792	301,570
	3,081,251	**4,126,711**

NOTE 8: CLIENT ADVANCES

Section 11 of the *Tasmanian Public Finance Corporation Act 1985*, states that one of the functions of the Corporation is to provide loans to participating authorities in the State of Tasmania. The Corporation is dependent on this source for a significant volume of revenue. During the financial year ended 30 June 2012 approximately 47% of revenue (2010-11: 37%) was from this source.

	2012 $000	2011 $000
Client advances at fair value through profit or loss		
Aurora Energy Pty Ltd	973,589	900,438
Department of Treasury and Finance	13,725	22,616
Hydro Tasmania	828,928	712,148
Local Government	76,780	58,665
Transend Networks Pty Ltd	652,727	570,514
Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd	7,348	6,626
Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd	35,237	18,932
Tasmanian Water and Sewerage Corporation (North Western Region) Pty Ltd	102,399	86,258
Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd	154,026	119,816
Other Participating Authorities	93,676	136,424
	2,938,435	2,632,437
Client advances at amortised cost		
Aurora Energy Pty Ltd	151,729	207,650
Hydro Tasmania	50,243	130,561
Local Government	1,444	-
	203,416	338,211
Client advances	**3,141,851**	**2,970,648**

NOTE 9: DERIVATIVE FINANCIAL INSTRUMENTS

	2012 $000	2011 $000
Derivative financial instruments receivable at fair value through profit or loss		
Foreign exchange contracts	513	-
Interest rate swaps	153,002	44,954
Client margin account deposits	2	2
	153,517	**44,956**

NOTE 10: RECEIVABLES

	2012 $000	2011 $000
At amortised cost		
Unsettled transactions receivable	119,000	11,902
Debtors and prepayments	38	115
	119,038	**12,017**

NOTE 11: PLANT AND EQUIPMENT

	2012 $000	2011 $000
Plant and equipment at cost	609	609
Less: Accumulated depreciation	472	431
Carrying value	137	178
Leasehold improvements at cost	297	297
Less: Accumulated depreciation	287	271
Carrying value	10	26
Total plant, equipment and leasehold improvements at cost	906	906
Less: Accumulated depreciation	759	702
Carrying value	**147**	**204**

Reconciliation of movement in plant, equipment and leasehold improvements

	2011-12 $000	2010-11 $000
Opening balance	204	212
Additions	-	71
Disposals	-	(20)
Depreciation	(57)	(59)
Closing balance	**147**	**204**

NOTE 12: INTANGIBLE ASSETS

	2012 $000	2011 $000
Computer software at cost	664	664
Less: Accumulated amortisation	624	613
Carrying value	**40**	**51**

Reconciliation of movement in intangible assets

	2011–12 $000	2010–11 $000
Opening balance	51	75
Additions	-	-
Amortisation	(11)	(24)
Closing balance	**40**	**51**

NOTE 13: PAYABLES

	2012 $000	2011 $000
At amortised cost		
Creditors	348	497
Unsettled transactions	87,000	-
Staff expenses accrued	153	150
	87,501	**647**

NOTE 14: CLIENT DEPOSITS

Section 11 of the *Tasmanian Public Finance Corporation Act 1985*, states that one of the functions of the Corporation is to accept money on deposit or on loan from the Treasurer or from a participating authority. All outstanding deposits at balance date are designated as financial liabilities at fair value through profit or loss:

	2012 $000	2011 $000
Deposits		
State of Tasmania	718,255	737,325
Public trading entities	436,238	429,803
Local Government	23,505	28,852
	1,177,998	**1,195,980**

Concentrations of deposits

All deposits arise from dealings with participating authorities including government business enterprises, state-owned companies, local government councils and the state government.

NOTE 15: BORROWINGS

All borrowings are unconditionally guaranteed by the Treasurer of the State of Tasmania under Section 15 of the *Tasmanian Public Finance Corporation Act 1985* and are designated as financial liabilities at fair value through the profit or loss:

	2012 $000	2011 $000
Domestic		
Preferred stocks	3,807,595	2,248,213
Commercial paper	835,378	1,852,350
Other securities	50,529	61,533
Overseas		
Commercial paper	321,599	1,605,123
Other securities	25,516	23,170
	5,040,617	**5,790,389**

Preferred stocks pay a fixed interest semi-annual coupon with varying maturities:

- 6.50% with a maturity of 15 May 2013
- 5.50% with a maturity of 23 June 2014
- 6.50% with a maturity of 15 April 2015
- 5.00% with a maturity of 20 September 2017
- 6.00% with a maturity of 15 June 2020

Domestic commercial paper is issued under a $2,500 million program with maturities of up to one year.

Overseas commercial paper is issued under a US$2,500 million program with maturities of up to one year.

NOTE 16: DERIVATIVE FINANCIAL INSTRUMENTS

	2012 $000	2011 $000
Derivative financial instruments payable at fair value through profit or loss		
Foreign exchange contracts	3,869	50,922
Interest rate swaps	140,204	72,825
	144,073	**123,747**

NOTE 17: PROVISIONS

	2012 $000	2011 $000
Employee entitlements	509	442
	509	**442**
Current liability	424	312
Non current liability	85	130
	509	**442**

NOTE 18: RECONCILIATION OF STATEMENT OF CASH FLOWS

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

(i) Client advances – advances to and repayments by borrowing clients

(ii) Investments – maturing investments and the purchase of new investments by the Corporation

(iii) Deposits from clients – deposits from and withdrawals by depositing clients

(iv) Borrowings – proceeds from short-term borrowings and repayments by the Corporation

(b) For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June 2012:

	Note	2012 $000	2011 $000
Cash		1,121	974
Advances at call		349,461	123,394
Investments at call		81,681	645,086
Short-term securities		1,472,827	1,654,951
Deposits at call	14	(1,177,998)	(1,195,980)
Cash and cash equivalents		**727,092**	**1,228,425**

(c) Reconciliation of profit after income tax equivalent expense to net cash flow provided by/(used in) operating activities:

	2011-12 $000	2010-11 $000
Profit after income tax equivalent expense	7,866	6,723
Depreciation	57	59
Amortisation	11	24
(Profit)/loss on sale of plant and equipment	-	(3)
Unrealised (profit)/loss on financial instruments	(59,998)	84,381
Increase/(decrease) in income tax equivalent payable	490	(1,985)
Increase/(decrease) in employee entitlement provision	67	(8)
Increase/(decrease) in accrued expenses	3	-
Increase/(decrease) in interest and foreign exchange hedging payables	(47,675)	16,610
(Increase)/decrease in interest and foreign exchange hedging receivables	7,486	(18,912)
(Increase)/decrease in receivables	76	(173)
(Increase)/decrease in client advances	126,902	(39,199)
(Increase)/decrease in investments	316,163	(1,192,994)
Increase/(decrease) in deposits from clients	-	(3,609)
Increase/(decrease) in short-term borrowings	(2,221,690)	2,747,944
Net cash flow provided by/(used in) operating activities	**(1,870,242)**	**1,598,858**

NOTE 19: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The operations of the Corporation give rise to various risks which are generally reflected in the market value of the Corporation's assets and liabilities.

(a) Capital at risk

The Corporation allocates an appropriate level of capital to each identified risk: credit risk, market risk and operational risk, and manages these risks within an overall capital limit agreed with the Treasurer from time to time. The effective level of risk exposure of the Corporation is required at all times to be kept within the capital limit. Capital is allocated to categories of risk in line with accepted industry practice for financial institutions.

(b) Credit risk

Credit risk arises from (i) the change in fair value of credit exposure to a counterparty or group of counterparties due to a change in the credit risk of that exposure, and (ii) the potential for credit default, i.e. the possibility that the counterparty to a financial instrument will not adhere to the terms of the contract when payment is due. In the extreme, failure by a counterparty to adhere to the terms of a contract can result in a loss due to default.

There is no impairment for bad and doubtful debts. No bad debts have been recorded in the current year or previous year.

(i) Changes in fair value attributable to credit risk

AASB 7 Financial Instruments: Disclosures requires the disclosure of the amount of change in the fair value of financial instruments that is attributable to changes in the credit risk.

The changes in fair value attributable to changes in credit risk have been calculated by determining the change in fair value of the client advances, financial liabilities and investments relative to swap at the start of the financial year compared to that at the end of the financial year. These changes are referred to in note 4 as liability margin and credit margin.

	2011-12 $000	2010-11 $000
Client advances	(9,876)	(16,029)
Financial liabilities	2,630	9,679
	(7,246)	(6,350)
Investments	(2,287)	1,345
	(9,533)	**(5,005)**

NOTE 19: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) Credit default exposure

Investments

The Corporation's current credit risk policies require all investments to have a credit rating no less than A-2 short term and A- long term (Standard and Poor's ratings). These limits are monitored by management with compliance reported to the Board. The carrying value of these investments represents the maximum exposure to credit default risk.

Client advances

Section 11 of the *Tasmanian Public Finance Corporation Act 1985*, states that one of the functions of the Corporation is to provide loans to participating authorities. The Corporation considers that the creditworthiness of its client advances, other than advances to local government and the Tasmanian Water and Sewerage Corporations (refer note 8), is derived from the credit rating of the State of Tasmania. This assumes a guarantee from the State of Tasmania. Notwithstanding the assumption of support, the Corporation seeks explicit support from the Treasurer on behalf of the State of Tasmania in certain circumstances.

The carrying value of the client advances (refer note 8) together with the committed standby facilities to clients (refer note 20(b)) represents the maximum exposure to credit default risk.

Derivatives

The Corporation is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. Any such exposure is governed by an International Swaps and Derivatives Association (ISDA) Agreement between the Corporation and the counterparty concerned including, where possible, a netting agreement. The maximum credit exposure of currency swaps, interest rate swaps and forward foreign exchange contracts is represented by the net fair value of all contracts with a positive replacement cost reduced by the effect of netting agreements. The maximum credit exposure by credit rating is disclosed in the table below.

(iii) Concentration of credit risk by credit rating

The following table details the credit rating of the Corporation's primary financial assets excluding transactions with participating authorities. The amounts shown reflect their credit exposure.

	Long-term credit rating			Short-term credit rating			
30 June 2012	**AAA $000**	**AA+/AA/A $000**	**A+/A/A- $000**	**A-1+ $000**	**A-1 $000**	**A-2 $000**	**Total $000**
Investments	541,039	756,407	-	1,548,589	125,724	109,492	**3,081,251**
Interest rate swaps	-	6,779	43,462	-	-	-	**50,241**
Foreign exchange contracts	-	-	405	-	-	-	**405**
	541,039	**763,186**	**43,867**	**1,548,589**	**125,724**	**109,492**	**3,131,897**

	Long-term credit rating			Short-term credit rating			
30 June 2011	**AAA $000**	**AA+/AA/A $000**	**A+/A/A- $000**	**A-1+ $000**	**A-1 $000**	**A-2 $000**	**Total $000**
Investments	402,696	631,388	25,264	2,667,730	295,242	104,391	**4,126,711**
Interest rate swaps	-	1,128	-	-	-	-	**1,128**
Foreign exchange contracts	-	-	-	-	-	-	**-**
	402,696	**632,516**	**25,264**	**2,667,730**	**295,242**	**104,391**	**4,127,839**

NOTE 19: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Interest rate risk

The Corporation enters into various types of interest rate contracts in managing its interest rate risk.

(i) Interest rate swaps

Under interest rate swaps, the Corporation agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to agreed notional principal amounts. The Corporation's operations are subject to the risk of interest rate fluctuations to the extent that there is a difference between the timing and amount of interest earning assets and the timing and amount of interest bearing liabilities that mature or re-price in specified periods. Interest rate swaps are held or issued for the purpose of managing this interest rate risk. The net fair value of interest rate swaps is presented in notes 9 and 16.

(ii) Interest rate options

Interest rate options are contracts that allow the holder of the option the right but not the obligation to purchase or sell a financial instrument at a specified price and within a specified period. As a matter of policy, all options granted to clients are hedged by purchasing the same option in the financial markets. As at balance date, the Corporation did not have any outstanding interest rate options (2011: nil).

(iii) Interest rate exposure

Exposure to interest rate risk, the re-pricing profile of maturities and the effective interest rates by type of financial instrument at 30 June 2012 were:

			Fixed interest						
	Weighted average effective interest rate	Floating interest rate	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
	%	$000	$000	$000	$000	$000	$000	$000	$000
Financial assets									
Investments	4.17	357,307	1,496,574	199,826	157,724	225,794	144,376	499,650	3,081,251
Client advances	5.59	730,479	242,636	60,060	175,471	123,962	1,596,430	212,813	3,141,851
	4.89	**1,087,786**	**1,739,210**	**259,886**	**333,195**	**349,756**	**1,740,806**	**712,463**	**6,223,102**
Financial liabilities									
Client deposits	3.50	1,177,998	-	-	-	-	-	-	1,177,998
Borrowings *	4.61	9	1,057,856	195,841	839,220	1,005,280	808,908	1,133,503	5,040,617
	4.40	**1,178,007**	**1,057,856**	**195,841**	**839,220**	**1,005,280**	**808,908**	**1,133,503**	**6,218,615**
Net		**(90,221)**	**681,354**	**64,045**	**(506,025)**	**(655,524)**	**931,898**	**(421,040)**	**4,487**
Derivative financial instruments									
Interest rate swaps (notional principal)									
Asset swaps	4.70	2,253,123	(43,900)	(92,070)	(213,500)	(170,618)	(1,553,576)	(179,459)	-
Liability swaps	4.76	(2,808,988)	-	34,000	467,500	929,500	757,988	620,000	-
Net derivatives	**(0.06)**	**(555,865)**	**(43,900)**	**(58,070)**	**254,000**	**758,882**	**(795,588)**	**440,541**	**-**
Net position		**(646,086)**	**637,454**	**5,975**	**(252,025)**	**103,358**	**136,310**	**19,501**	**4,487**

NOTE 19: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Exposure to interest rate risk, the re-pricing profile of maturities and the effective interest rates by type of financial instrument at 30 June 2011 were:

			Fixed interest						
	Weighted average effective interest rate	Floating interest rate	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
	%	$000	$000	$000	$000	$000	$000	$000	$000
Financial assets									
Investments	5.24	468,164	2,196,666	816,628	57,796	112,908	474,549	-	4,126,711
Client advances	6.05	921,779	140,989	61,699	560,844	223,200	868,902	193,235	2,970,648
	5.58	**1,389,943**	**2,337,655**	**878,327**	**618,640**	**336,108**	**1,343,451**	**193,235**	**7,097,359**
Financial liabilities									
Client deposits	4.87	1,191,244	4,736	-	-	-	-	-	1,195,980
Borrowings *	5.22	24,536	2,376,019	894,087	201,011	838,495	1,353,864	102,377	5,790,389
	5.16	**1,215,780**	**2,380,755**	**894,087**	**201,011**	**838,495**	**1,353,864**	**102,377**	**6,986,369**
Net		**174,163**	**(43,100)**	**(15,760)**	**417,629**	**(502,387)**	**(10,413)**	**90,858**	**110,990**
Derivative financial instruments									
Interest rate swaps (notional principal)									
Asset swaps	5.29	2,273,890	(44,295)	(86,000)	(648,130)	(250,470)	(931,207)	(313,788)	**-**
Liability swaps	5.49	(2,228,975)	137,800	107,438	256,249	422,500	1,176,988	128,000	**-**
Net derivatives	**(0.20)**	**44,915**	**93,505**	**21,438**	**(391,881)**	**172,030**	**245,781**	**(185,788)**	**-**
Net position		**219,078**	**50,405**	**5,678**	**25,748**	**(330,357)**	**235,368**	**(94,930)**	**110,990**

*Effective interest rate includes the net interest rates of the forward foreign exchange contracts.

NOTE 19: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(d) Foreign exchange risk

The Corporation has borrowings and investments denominated in foreign currencies. It is the Corporation's policy to fully hedge the currency exposure immediately on undertaking such transactions by entering into cross-currency swaps and forward foreign exchange contracts. The objective of these contracts is to fully hedge the impact of any foreign exchange rate fluctuation on the future obligations to make or receive interest and principal repayments in accordance with the contractual obligations of the underlying foreign currency borrowing or investment. There were no cross-currency swaps at balance date in 2012 or 2011.

The fair value of forward foreign exchange contracts is disclosed in notes 9 and 16.

The following table shows the Corporation's foreign currency exposure by currency as at 30 June 2012 (all amounts denominated in Australian dollars):

	CHF $000	NZD $000	CAD $000	GBP $000	EURO $000	SGD $000	USD $000
Assets/(liabilities) (<12 months)	-	-	(4,876)	(93,721)	-	-	(115,473)
Forward FX (<12 months)	-	-	4,876	93,721	-	-	115,473
Net position	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The following table shows the Corporation's foreign currency exposure by currency as at 30 June 2011 (all amounts denominated in Australian dollars):

	CHF $000	NZD $000	CAD $000	GBP $000	EURO $000	SGD $000	USD $000
Assets/(liabilities) (<12 months)	(130,743)	(140,673)	(17,084)	(243,656)	(138,094)	(15,356)	(833,995)
Forward FX (<12 months)	130,743	140,673	17,084	243,656	138,094	15,356	833,995
Net position	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(e) Liquidity risk

The Corporation has a liquidity policy in place requiring the holding of sufficient liquid investments, which are readily saleable and convertible into cash, to safeguard against a short-term inability to issue debt.

Historical experience has shown that while deposits from clients have short-term maturities, a percentage of the deposits are core investments by clients, which are continuously re-invested with the Corporation.

In addition to the holding of liquid assets, the Corporation maintains an intra-day credit accommodation facility of $100,000,000 with a bank.

NOTE 19: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the Corporation's financial assets, liabilities and derivatives based on contracted undiscounted payment obligations and receivables at 30 June 2012 was:

	Less than 3 months $000	3 to 6 months $000	6 to 12 months $000	1 to 2 years $000	2 to 5 years $000	Over 5 years $000	Total $000
Financial assets (undiscounted receivables)							
Investments	1,596,264	230,096	270,137	387,914	327,269	515,518	3,327,198
Client advances	111,438	102,480	267,490	373,471	2,196,393	240,290	3,291,562
	1,707,702	**332,576**	**537,627**	**761,385**	**2,523,662**	**755,808**	**6,618,760**
Financial liabilities (undiscounted repayment obligations)							
Client deposits	1,177,998	-	-	-	-	-	1,117,998
Borrowings	834,800	283,591	742,062	1,156,324	1,055,835	1,144,555	5,217,167
	2,012,798	**283,591**	**742,062**	**1,156,324**	**1,055,835**	**1,144,555**	**6,395,165**
Net	**(305,096)**	**48,985**	**(204,435)**	**(394,939)**	**1,467,827**	**(388,747)**	**223,595**
Derivative financial instruments undiscounted receivables/(payables)							
Interest rate swaps	(31,821)	37,734	9,937	7,286	(47,927)	6,049	(18,742)
Foreign exchange	(1,276)	(3,222)	-	-	-	-	(4,498)
Guarantees *	(30,000)	-	-	-	-	-	(30,000)
	(63,097)	**34,512**	**9,937**	**7,286**	**(47,927)**	**6,049**	**(53,240)**

The maturity profile of the Corporation's financial assets, liabilities and derivatives based on contracted undiscounted payment obligations and receivables at 30 June 2011 was:

	Less than 3 months $000	3 to 6 months $000	6 to 12 months $000	1 to 2 years $000	2 to 5 years $000	Over 5 years $000	Total $000
Financial assets (undiscounted receivables)							
Investments	2,345,383	861,936	118,145	367,701	596,520	-	4,289,685
Client advances	233,793	165,464	777,977	569,576	1,241,804	374,965	3,363,579
	2,579,176	**1,027,400**	**896,122**	**937,277**	**1,838,324**	**374,965**	**7,635,264**
Financial liabilities (undiscounted repayment obligations)							
Client deposits	1,195,980	-	-	-	-	-	1,195,980
Borrowings	2,385,200	974,090	269,901	947,352	1,468,269	125,165	6,196,977
	3,581,180	**974,090**	**269,901**	**947,352**	**1,468,269**	**125,165**	**7,365,957**
Net	**(1,002,004)**	**53,310**	**626,221**	**(10,075)**	**370,055**	**249,800**	**287,307**
Derivative financial instruments undiscounted receivables/(payables)							
Interest rate swaps	(30,507)	21,947	3,889	(8,758)	(59,541)	(14,113)	(87,083)
Foreign exchange	(36,564)	(12,805)	-	-	-	-	(49,369)
Guarantees *	(27,880)	-	-	-	-	-	(27,880)
	(94,951)	**9,142**	**3,889**	**(8,758)**	**(59,541)**	**(14,113)**	**(164,332)**

* The amounts included above for financial guarantee contracts are the maximum amounts the Corporation could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that no amount will be payable under these arrangements.

NOTE 19: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(f) Financial assets and liabilities measured at fair value

The following table provides an analysis of financial instruments that are measured at fair value through the profit or loss, grouped into three levels based on the degree to which the fair value is observable.

Level 1 – derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2012	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Investments	999,743	2,081,508	-	3,081,251
Client advances	-	2,938,435	-	2,938,435
Derivatives	-	153,517	-	153,517
Total assets	**999,743**	**5,173,460**	**-**	**6,173,203**
Financial liabilities				
Deposits	-	1,177,998	-	1,177,998
Commercial paper	-	1,156,977	-	1,156,977
Preferred stocks	3,807,595	-	-	3,807,595
Other borrowings	-	76,045	-	76,045
Derivatives	-	144,073	-	144,073
Total liabilities	**3,807,595**	**2,555,093**	**-**	**6,362,688**

30 June 2011	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Investments	560,612	3,566,099	-	4,126,711
Client advances	-	2,632,437	-	2,632,437
Derivatives	-	44,956	-	44,956
Total assets	**560,612**	**6,243,492**	**-**	**6,804,104**
Financial liabilities				
Deposits	-	1,195,980	-	1,195,980
Commercial paper	-	3,457,473	-	3,457,473
Preferred stocks	2,248,213	-	-	2,248,213
Other borrowings	-	84,703	-	84,703
Derivatives	-	123,747	-	123,747
Total liabilities	**2,248,213**	**4,861,903**	**-**	**7,110,116**

Cash at bank has been excluded from the above tables.

NOTE 19: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(g) Value at Risk (VaR) analysis

The VaR risk measure estimates the potential loss in pre-tax profit due to a change in benchmark interest rates and TASCORP liability risk margins over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between markets and products. Risk can be measured consistently across the Corporation's portfolio to arrive at a single risk number. The one day VaR number used by the Corporation reflects the 99% probability that the daily interest rate and liability margin risk loss will not exceed the reported VaR.

The VaR methodology used by the Corporation to calculate daily risk numbers is the historical pricing approach. Stress testing is used to add insight to the possible outcomes under abnormal market conditions. The stress testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, and consequently reflects the decline in liquidity that frequently accompanies market shocks.

The Corporation's value at risk is disclosed in the following table:

	Average		Minimum		Maximum		Year end	
Historical VaR (99% one-day)	**2011-12 $000**	**2010-11 $000**	**2011-12 $000**	**2010-11 $000**	**2011-12 $000**	**2010-11 $000**	**2012 $000**	**2011 $000**
Total VaR exposure	471	633	343	387	617	770	521	528

NOTE 20: CONTINGENT LIABILITIES AND COMMITMENTS

The Corporation incurs contingent liabilities as part of its general function to engage in activities relating to the finances of the Tasmanian public sector as is prescribed by its enabling legislation and approved by the Treasurer. The contingent liabilities incurred take the form of the provision of guarantees, indemnities, forward contracts and commitments to extend credit.

Indemnities have been provided by the Corporation to third parties involved either directly or indirectly in financing arrangements with the Corporation or participating authorities and relate to financial advantages which are expected to be available to those parties or to the preservation of existing financial advantages.

The Corporation has commitments to extend standby credit facilities (including undrawn facilities) and has provided contract performance guarantees at balance date, details of which are as follows:

(a) Client advances not yet drawn

Client advances not yet drawn totalled $227,500,000 as at 30 June 2012 (2011: $205,000,000).

(b) Committed standby facilities

The Corporation enters into standby facilities with its clients. As at 30 June 2012 committed standby facilities totalled $260,000,000 (2011: $270,000,000).

(c) Client guarantee acounts

The Corporation has provided contract performance guarantees. As at the balance date, the face value exposure of the guarantees is $30,000,000 (2011: $27,880,000).

(d) Lease commitments

The Corporation has a non-cancellable operating lease commitment in relation to its premises, which expires on 30 September 2013.

Expenditure commitments in relation to the operating lease inclusive of non-recoverable GST are as follows:

	2012 $000	**2011 $000**
Less than one year	172	167
One to two years	43	209
	215	**376**

NOTE 21: AUDITORS' REMUNERATION

Included in administration costs are the following amounts received or due and receivable by the external auditors for services provided in the 2011-12 financial year:

	2011–12 $	2010–11 $
Auditing the financial statements	142,887	101,078

NOTE 22: DIRECTORS' AND EXECUTIVES' REMUNERATION AND ATTENDANCES AT BOARD MEETINGS

Remuneration received or receivable by the directors and executives of the Corporation:

	2011–12 $	2010–11 $
Income received or due and receivable by:		
Directors of the Corporation – short term benefits	520,140	539,852
Directors of the Corporation – long term benefits	8,105	52,119
Directors of the Corporation – post employment benefits	45,026	46,035
Executive Officers – short term benefits	934,313	872,015
Executive Officers – long term benefits	9,082	92,655
Executive Officers – post employment benefits	82,121	76,273
	1,598,787	**1,678,949**

Short term benefits to six directors and five executive officers include salaries, annual leave (including increases in accrued annual leave), performance related bonuses and non-monetary benefits where applicable.

Long term benefits include increases/(decreases) in the provision for long service leave.

Post employment benefits include contributions to superannuation funds.

The Corporation has not provided for any other termination or post employment benefits other than normal accrued entitlements.

The number of board and audit committee meetings held in the period each director held office during the financial year and the number of meetings attended by each director are as follows:

	Board Meetings		Audit Committee Meetings	
	Number Held	Number Attended	Number Held	Number Attended
D.W. Challen	12	12	7	7
C.J. Austin	12	12	7	7
J.E. Skinner	12	12	7	7
I.G. MacDonald	12	12	7	7
J.B. Hindmarsh	12	12		
M.J. Wallace*	1	1		

*number of eligible meetings (appointed 4 June 2012)

NOTE 23: RELATED PARTY INFORMATION

The Corporation, as the central financing authority for the State of Tasmania, provides loans to and receives deposits from participating authorities. Details as at 30 June 2012 are set out in notes 8 and 14. All transactions are priced in accordance with the Corporation's lending policy and deposit arrangements.

Persons holding the position of Director during the year to 30 June 2012 were:

Donald W. Challen, Chairman

Carol J. Austin

Jann E. Skinner

Ian G. MacDonald

John B. Hindmarsh

Martin J. Wallace

CERTIFICATION STATEMENT

In the opinion of the Directors of the Tasmanian Public Finance Corporation:

(a) the financial statements and notes of the Tasmanian Public Finance Corporation are in accordance with the *Government Business Enterprises Act 1995*, including:

(i) giving a true and fair view of the results and cash flows for the period ended 30 June 2012 and the financial position as at 30 June 2012, of the Tasmanian Public Finance Corporation; and

(ii) complying with the Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.

(b) there are reasonable grounds to believe that the Tasmanian Public Finance Corporation will be able to pay its debts as and when they fall due.

This declaration has been made after receiving the following declaration from the Chief Executive Officer and Chief Financial Officer of the Tasmanian Public Finance Corporation:

(a) the financial records of the Tasmanian Public Finance Corporation for the period ended 30 June 2012 have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act 1995*;

(b) the financial statements and notes for the period ended 30 June 2012 have been prepared in accordance with Section 52 of the *Government Business Enterprise Act 1995*; and

(c) the financial statements and notes for the period ended 30 June 2012 give a true and fair view.

Signed in accordance with a resolution of the directors:

D. W. Challen
Chairman

J. B. Hindmarsh
Director

Dated: 10 August 2012

Tasmanian
Audit Office

10 August 2012

The Board of Directors
Tasmanian Public Finance Corporation
114 Murray Street
HOBART TAS 7000

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of Tasmanian Public Finance Corporation for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of Australian Auditing Standards in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

As agreed with the Audit Committee, a copy of this declaration must be included in the Annual Report.

Yours sincerely

HM Blake
AUDITOR-GENERAL

Tasmanian
Audit Office

Independent Auditor's Report

To Members of the Parliament of Tasmania

Tasmanian Public Finance Corporation

Financial Report for the Year Ended 30 June 2012

Report on the Financial Report

I have audited the accompanying financial report of the Tasmanian Public Finance Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2012 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the certification statement by the directors.

Auditor's Opinion

In my opinion:

(a) the Corporation's financial report:

(i) presents fairly, in all material respects, its financial position as at 30 June 2012, and its financial performance, cash flows and changes in equity for the year then ended; and

(ii) is in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

The Responsibility of the Directors for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 52 (1) of the *Government Business Enterprises Act 1995*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the directors' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

My independence declaration was provided to the directors on the same date as this auditor's Report and is included in the Annual Report.

Tasmanian Audit Office

H M Blake
AUDITOR-GENERAL

HOBART
10 August 2012

CONTACT DETAILS

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