

34. Financial Instruments

(a) Terms, conditions and accounting policies

Financial assets

Financial Instrument	Accounting Policies	Terms and Conditions
Cash	Cash includes cash on hand and cash at bank. Cash at bank represents deposits at call which are readily convertible to cash and which are used in the daily cash management function of the department.	General trust fund cash balances are deposited with Queensland Treasury Corporation and earn 4.5%. Other cash balances held by the Department do not earn interest.
Receivables (trade debtors)	Trade debtors are carried at nominal amounts less any provision for doubtful debts.	Trade sales are settled within 60 days after an invoice is issued.
Receivables (other than trade debtors)	Amounts other than trade debtors are carried at nominal amounts.	Other than receivables from Government, employees and other specific agreements, settlement is within 60 days. Loans and advances settle from three to fifteen months. No collateral is held for loans and advances made and no interest is charged on outstanding amounts.

Financial Liabilities

Financial Instrument	Accounting Policies	Terms and Conditions
Creditors	Creditors are recognised upon receipt of goods and services, irrespective of whether an invoice has been received. Creditors are measured based on agreed purchase/contract price.	The amounts are unsecured and are usually settled within 30 days or sooner depending on the availability of settlement discounts.
Finance Lease Liability	The finance lease liabilities are accounted for in accordance with AASB 1008 <i>Leases</i> . Interest is charged as an expense as it accrues.	The finance leases have a term of between 1 to 4 years. The average rate implicit in the leases is 7.06%.
QTC Borrowings	Borrowings from the Queensland Treasury Corporation (QTC) are recorded at book value. Interest is charged as an expense as it accrues.	Borrowings are from QTC's Government Debt Pool with varying maturity dates. Periodic repayments are made quarterly in arrears. The average fixed rate is 7.48%.

(b) Interest rate risk exposure

The department's exposure to interest rate risk and effective interest rates of financial assets and liabilities are shown in the following table. All assets and liabilities are shown by maturity or contract repricing dates and at face value.

	Contractual Repricing/ Maturity Date:				Total \$'000	Weighted Average Rate: %
	1 year or less \$'000	1 to 5 years \$'000	Greater than 5 years \$'000	Non Interest Bearing \$'000		
Financial Assets						
Cash	46,481	-	-	139,063	185,544	4.5
Receivables	-	-	-	77,807	77,807	
Total	46,481	-	-	216,870	263,351	
Financial Liabilities						
Payables	-	-	-	164,708	164,708	
Borrowings	54,184	155,229	336,555	-	545,968	7.48
Finance lease liabilities	32	11	-	-	43	7.06
Total	54,216	155,240	336,555	164,708	710,719	

(c) Credit risk exposure

Credit risk exposure represents the extent of credit related losses that the department may be subject to on amounts to be exchanged under loans and accounts receivable from financial assets.

The carrying amount of financial assets in the Statement of Financial Position represents the maximum credit risk exposure as at 30 June 2003.

Concentrations of credit risk on trade and other debtors are summarised as General Public \$26.191 Million; Public Sector \$51.615 Million.

Queensland Health has some exposure to foreign exchange risk through its capital works program and purchase of supplies required as part of providing health services. Management of foreign exchange risk is being addressed as part of Queensland Health's business risk management framework currently under development.

(d) Net fair value

The carrying amount of all financial assets and liabilities equates to net fair value, except for QTC borrowings and finance leases which are recognised at book rate. Refer Note 22.

35. Joint Venture Operations

In August 2001, Queensland Health entered into a joint venture operation with the University of Queensland for the operation of a Magnetic Resonance Imaging (MRI) facility. Both participants in the venture have a fifty per cent interest and are entitled to fifty percent of its output. The term of the agreement has been set at five years from the date at which the MRI equipment met the specifications of both parties - 2 January 2002.

Queensland Health's interest in the assets employed in the joint venture are included in the Statement of Financial Position under the following classifications:

	2003 \$'000	2002 \$'000
Non-current assets		
Property, plant and equipment	1,175	1,354
	1,175	1,354