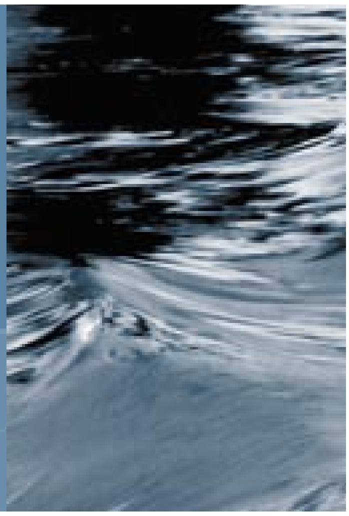
# FINANCIAL STATEMENTS

For the year ended 30 June 2004



## Contents

# INDEPENDENT AUDIT REPORT

GPO BOX 12
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### WATERWAYS AUTHORITY

To Members of the New South Wales Parliament

**Qualified Audit Opinion**

In my opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph below, the financial report of the Waterways Authority:

(a) presents fairly the Authority's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and

(b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

**Qualification**

Note 27(b) includes an estimate of remediation costs for contaminated areas of Homebush Bay. Under a remediation deed signed in December 2001, the outstanding value of agreed work at 30 June 2004 was $16.9 million (2003: $17 million). The authority has not recognised a liability for these costs. In my opinion this non-recognition is a departure from AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" because the authority has a present obligation to undertake this work. If this liability had been recognised, current liabilities exclusive of GST would increase by $9.9 million ($9.1 million), non-current liabilities exclusive of GST by $7 million ($7.9 million), the net surplus would decrease by $16.9 million ($17 million) and accumulated funds would decrease by $16.9 million ($17 million). Commitments disclosed in note 27 (b) would decrease by $16.9 million ($17 million).

My audit report for the year ended 30 June 2003 was similarly qualified.

**The Chief Executive's Role**

The financial report is the responsibility of the Chief Executive of the Waterways Authority. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

**The Auditor's Role and the Audit Scope**

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Authority in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Chief Executive had failed in his reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Authority,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

**Audit Independence**

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act 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 public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

R Sendt

R J Sendt
Auditor-General

SYDNEY
19 October 2004

# STATEMENT BY CHIEF EXECUTIVE

## Waterways Authority Financial Statements for the year ended 30 June 2004

### STATEMENT BY CHIEF EXECUTIVE

Pursuant to Section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

1. The accompanying Financial Statements exhibit a true and fair view of the Authority's financial position as at 30 June 2004 and the transactions for the year then ended.

2. The statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2000*, and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render any particulars included in the Financial Statements to be misleading or inaccurate.

Chris Oxenbould AO
**Chief Executive**

15 October 2004

# STATEMENT OF FINANCIAL PERFORMANCE



## For the year ended 30 June 2004

| | Note | 2004 $000 | 2003 $000 |
|---|---|---|---|
| **REVENUES FROM ORDINARY ACTIVITIES** | | | |
| Port management | 2 | 544 | 561 |
| Channel fees | 3 | 6,854 | 6,854 |
| Drivers licences | 4 | 13,872 | 12,905 |
| Boat registrations | 5 | 14,753 | 13,512 |
| Moorings | 6 | 6,992 | 6,050 |
| Rentals | 7 | 39,491 | 36,460 |
| Commercial vessel charges | 8 | 2,537 | 2,338 |
| Other | 9 | 3,844 | 3,491 |
| Interest on investments | 10 | 4,381 | 3,821 |
| Capital appropriation | 11 | 3,665 | 13,691 |
| Grants and subsidies | 12 | 966 | 11,810 |
| Total revenues from ordinary activities | | 97,899 | 111,493 |
| **EXPENSES FROM ORDINARY ACTIVITIES** | | | |
| Employee related expenses | 13 | 25,584 | 22,681 |
| Superannuation expenses | | 418 | 5,821 |
| Service contractors | 14 | 11,374 | 11,814 |
| Materials | | 945 | 1,050 |
| Utilities and communications | | 2,401 | 2,214 |
| Administration | 15 | 7,669 | 8,312 |
| Depreciation | | 10,269 | 9,243 |
| Grants and subsidies | 16 | 1,202 | 1,328 |
| Waterways Asset Development and Management Program | | 1,051 | 1,001 |
| Financial expenses | 17 | 45 | 83 |
| Interest – Maritime Trade Tower | | 12,976 | 11,827 |
| Audit fees – audit of the financial report | | 146 | 122 |
| Loss on disposal of assets | 18 | 72 | 367 |
| Total expenses from ordinary activities | | 74,152 | 75,863 |
| Net surplus (deficit) | | 23,747 | 35,630 |
| **REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY** | | | |
| Net increase in asset revaluation reserve | | – | – |
| Total changes in equity other than those resulting from transactions with Government as owners | | 23,747 | 35,630 |

The accompanying notes form part of these financial statements

# STATEMENT OF FINANCIAL POSITION

## As at 30 June 2004

| | Note | 2004 $000 | 2003 $000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash assets | 30 | **71,843** | 111,153 |
| Receivables | 20 | **4,796** | 8,243 |
| Inventory | 21 | **54** | 55 |
| Other financial assets | 22 | **51,779** | 4,629 |
| Total current assets | | **128,472** | 124,080 |
| **NON-CURRENT ASSETS** | | | |
| Receivables | 20 | **15,543** | 15,722 |
| Property, plant and equipment | 23 | 458,531 | 460,160 |
| Total non-current assets | | **474,074** | 475,882 |
| Total assets | | **602,546** | 599,962 |
| **CURRENT LIABILITIES** | | | |
| Payables | 24 | **75,133** | 90,529 |
| Provisions | 25 | **15,349** | 12,232 |
| Total current liabilities | | **90,482** | 102,761 |
| **NON-CURRENT LIABILITIES** | | | |
| Payables | 24 | **23,061** | 23,794 |
| Provisions | 25 | **10,958** | 10,109 |
| Total non-current liabilities | | **34,019** | 33,903 |
| Total liabilities | | **124,501** | 136,664 |
| Net assets | | **478,045** | 463,298 |
| **EQUITY** | | | |
| Accumulated funds | 26 | **405,740** | 390,993 |
| Asset revaluation reserve | 26 | **72,305** | 72,305 |
| Total equity | | **478,045** | 463,298 |

The accompanying notes form part of these financial statements

# STATEMENT OF CASH FLOWS



## For the year ended 30 June 2004

| | Note | 2004 $000 | 2003 $000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Receipts** | | | |
| Operating receipts | | 100,991 | 88,790 |
| Security bonds received | | – | 32,407 |
| Interest received | | 4,379 | 3,389 |
| Grants and subsidies: | | | |
| King Street Wharf development | | – | 6,176 |
| Walsh Bay development | | – | 5,000 |
| Other | | 966 | 634 |
| Net GST received (paid) | | 1,904 | 93 |
| **Total receipts** | | 108,240 | 136,489 |
| **Payments** | | | |
| Operating payments | | (73,970) | (43,922) |
| Interest paid | | (12,976) | (11,827) |
| Payments for Waterways Asset Development and Management Program | | (1,051) | (1,001) |
| **Total payments** | | (87,997) | (56,750) |
| **CASH FLOWS FROM GOVERNMENT** | | | |
| Capital appropriation: | | | |
| Walsh Bay development | | 500 | 13,419 |
| Eden | | – | 3,000 |
| Total cash flows from government | | 500 | 16,419 |
| **Net cash inflows from operating activities** | 30 | 20,743 | 96,158 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for property, plant and equipment | | (10,003) | (22,383) |
| Proceeds from sale of property, plant and equipment | | 3,100 | 2,884 |
| **Net cash outflows used in investing activities** | | (6,903) | (19,499) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Distributions paid: | | | |
| Operating | | (6,000) | (9,000) |
| Property | | – | (11,158) |
| **Net cash outflows used in financing activities** | | (6,000) | (20,158) |
| **Net increase (decrease) in cash held** | | 7,840 | 56,501 |
| Cash at the beginning of the year | | 115,782 | 59,281 |
| **Cash at the end of the year** | 30 | 123,622 | 115,782 |

The accompanying notes form part of these financial statements

The Waterways Authority was established on 1 July 1995 under the Ports Corporatisation and Waterways Management Act 1995, as a statutory authority with responsibility for "all waterways management functions under the marine legislation other than those relating to any vessel that either requires a pilot...or whose master is the holder of a Pilotage Exemption Certificate that applies to that vessel".

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of accounting

The financial report is a general purpose financial report which has been prepared on a going concern basis, adopting accrual accounting and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Consensus Views (UIG), the requirements of the Public Finance and Audit Act 1983, the Public Finance and Audit (General) Regulation 2000 and the Treasurer's Directions.

Except for certain property, plant and equipment, which is recorded at valuation, the financial statements are prepared in accordance with the historical cost convention.

Where reporting formats vary between years, comparative amounts are reclassified to ensure comparability with the current reporting period.

### (b) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and investments.

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to cash in the statement of financial position. Cash on hand refers to advances for petty cash and floats for cash registers. Investments are considered as cash equivalents as they are readily convertible to cash.

### (c) Capitalisation of property, plant and equipment

Property, plant and equipment costing $500 and above individually is capitalised. Only those assets completed and ready for service are taken to the property, plant and equipment account. The remaining capital expenditures are carried forward as construction in progress and included under property, plant and equipment in the Statement of Financial Position.

### (d) Valuation of property, plant and equipment

In accordance with prior Treasury guidelines, all physical non-current assets of Waterways were revalued as at 1 July 2000. The revaluation policies adopted were those policies set out in the NSW Treasury Technical Paper Policy Guidelines for Valuation of Physical Non-Current Assets in the NSW Public Sector, issued in September 1990.

Valuation materiality thresholds of $100,000 and three years were determined which meant that only individual assets with a written down value in excess of $100,000 and which were purchased prior to 1 July 1997 were subject to reassessment of value. Ninety-five percent of non-current assets in total were revalued. The other five percent was considered to be immaterial. Those assets not revalued are recorded at their historical cost. The written down replacement cost of a number of assets has been established by reference to appropriately qualified persons within Waterways.

### (e) Leases

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are charged to the Statement of Financial Performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Property subject to long term lease, often for terms of up to 99 years, with up-front lease payments, is treated as sales for the purpose of these financial statements. This procedure is in accordance with the recommendations detailed in Treasury Circular NSW TC 00/19.

Property that is subject to this treatment is retained in the accounting records of Waterways at a nominal value of $1.

### (f) Depreciation of property, plant and equipment

Depreciation has been calculated on depreciable assets, using rates estimated to write off the assets over their remaining useful lives for Waterways on a straight line basis in accordance with Australian Accounting Standard AAS 4, Depreciation of Non-Current Assets. Land, channels, reclamations and wetland assets have been treated as non-depreciable. The following are depreciation rates used in the 2004 financial year:

| | Rates % |
|---|---|
| Buildings | 2–5 |
| Plant and equipment | |
| Plant – communications | 20–40 |
| Plant – mobile | 5–20 |
| Plant – outboard engines | 50 |
| Plant – vessels | 5–20 |
| Plant – other | 5–20 |
| Computer – hardware | 20–50 |
| Computer – software | 20–50 |
| Motor vehicles | 10–15 |
| Furniture and fittings | 7.5–20 |
| Infrastructure | |
| Moorings | 0–5 |
| Navigational aids | 5–20 |
| Roadways | 5 |
| Wharves and jetties | 2.5–10 |
| Seawalls | 2.5–4 |

*Plant – mobile refers to movable items of plant such as trailers, forklifts and cranes.*

### (g) Bad and doubtful debts

Bad debts are written off against the provision for doubtful debts after thorough investigation and exhaustion of recovery processes. A review was carried out during the year to determine the adequacy of the level of the provision for doubtful debts.

### (h) Revenues

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

*Licences, registrations, and grants and subsidies* – where control of a right exists to receive consideration upon the completion of or a stage of services provided.

*Rentals and moorings* – where control of a right exists to receive consideration for the provision of assets has been attained in accordance with Australian Accounting Standard AAS 17, Accounting for Leases.

*Interest* – where control of a right exists to receive consideration for the provision of, or investment in assets has been attained.

*Appropriation* – Parliamentary appropriations are recognised as revenues when the entity obtains control over the assets comprising the appropriation. Control is normally obtained on receipt of cash, with the exception that unspent appropriations at year-end are accounted for as liabilities.

*Fines and penalties* – Fines and penalties are recognised on a cash basis when received from NSW Police Service Infringement Processing Bureau.

### (i) Employee entitlements

Liabilities for salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date.

Long service leave is measured on a nominal basis. The nominal method is based on the remuneration rate at year end for all employees with five or more years in service. It is considered this measurement technique produces results not materially different from the estimated amount using the net present value basis of measurement.

Non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the entitlements accrued in the future.

The outstanding amount of payroll tax and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

Superannuation payments are recorded as expenses when made. At the end of the financial period the prepaid asset or accrued superannuation liability is actuarially assessed and the relevant amounts disclosed in the Statement of Financial Position. Any adjustment arising from the actuarial reassessment is recorded in the Statement of Financial Performance.

### (j) Receivables and payables

Trade accounts receivable which are generally settled within 7 days are carried at amounts due. Trade accounts payable including accruals not yet billed are recognised when Waterways becomes obliged to make future payments as a result of purchase of assets or services. Trade accounts payable are generally settled within their due date.

### (k) Net fair values of financial assets and liabilities

The net fair value of monetary financial assets and liabilities which are not traded in an organised financial market is determined on the cost basis.

The net fair value of investments in TCorp Hour-Glass is determined on the basis of current quoted market price.

### (l) Insurance

Waterways insurance requirement is managed by the NSW Treasury Managed Fund. Waterways had the following coverage in place during 2003–2004: workers compensation, public liability, motor vehicle, property and miscellaneous.

### (m) Inventories

Inventories have been recorded at cost on acquisition. A perpetual inventory system is adopted and is supported by quarterly stocktakes. Ending balance is calculated using the average cost method.

### (n) Assets

The assets of Waterways are unencumbered.

### (o) Rounding amounts to nearest $000

In the financial statements, all amounts have been rounded to the nearest thousand dollars (shown as $000) in accordance with clause 12 of the Public Finance and Audit (General) Regulation 2000.

### (p) Distribution policy

Waterways pays distributions to the Consolidated Fund. These distributions are from two sources:

1. Operations
2. Proceeds from surplus property disposal

Distributions from operations are provided after the results for the year have been determined and cash requirements for subsequent periods, according to forward estimates, have been satisfied. Distributions from operations are paid in two instalments each year, the first on 1 August and the second on 1 December.

Distributions from the proceeds of disposal of surplus property are made to the Consolidated Fund immediately after settlement. The practice has been to remit proceeds to the Consolidated Fund that are in excess of $1M, settlements for less than this amount are incorporated into operating distributions.

### (q) International Accounting Standards

Waterways will apply the Australian Equivalents to International Financial reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

Waterways is managing the transition to the new standards by allocating internal resources and engaging external consultants to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, Waterways has taken the following steps to manage the transition to the new standards:

1. A committee has been established to oversight the transition. The General Manager, Corporate Services, has overall responsibility for the project and is the chair of the Committee.

2. A project plan has been developed, identifying the following phases that need to be undertaken:

- Scope, plan and identify AIFRS issues (completion by 30 September 2004)
- Determine process changes required (completion by 30 September 2004)
- Implement AIFRS (completion by 31 December 2004)
- Evaluate and test effectiveness of implementation (completion by 31 March 2005)
- Post implementation review (completion by 31 August 2005)

Waterways has identified a number of significant differences in accounting policies that are expected to arise from adopting AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised Waterways of options it is likely to mandate, and will confirm these during 2004– 05. This disclosure reflects these likely mandates.

Waterways accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the Income Statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in relation to the 2005–06 financial year.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of new AIFRS from 1 July 2004, with limited exemptions. Similarly AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparitives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.

AASB 110 Events after the balance sheet date states that only dividends "declared" or appropriately "authorised" before the reporting date can be recognised. This is more restrictive than the current approach which is based on "valid expectations". However, this change is not expected to impact on distribution recognition as the signing of the Results and Services Plan before the reporting date to which it relates, "authorises" the distribution and any change in the amount of the distribution after the reporting date constitutes an "adjusting event after the reporting date". The amount of the distribution may be affected by other AIFRS, such as AASB 139 Financial Instrument and Measurement and AASB 119 Employee Benefits (refer below) as these standards may impact on retained earnings (on first adoption) and the amount and volatility of profit or loss.

AASB 116 Property, Plant and Equipment requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Waterways is likely to account for asset revaluation increments and decrements on an individual asset basis, rather than on a class basis. This change may decrease accumulated funds.

AASB 118 Revenue may require Waterways to recognise revenue from licences in the year in which the licence is issued, regardless of the term of the licence. This change is expected to have a short-term impact on the reported surplus of Waterways.

AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. Where the unfunded superannuation liability is not assumed by the Crown, this will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expense.

AASB 123 Borrowing Costs provides the option to expense or capitalise borrowing costs. NSW Treasury is likely to mandate expensing of borrowing costs to harmonise with GFS. Previously, borrowing costs related to qualifying assets were capitalised.

AASB 136 Impairment of Assets will require Waterways to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the recoverable amount must be estimated.

AASB 137 Provisions, Contingent Liabilities and Contingent Assets is likely to require the recognition of a provision for restoration of Homebush Bay as a result of Waterways' obligation to clean up environmental damage at that site. Previously this obligation had been recognised only by way of note to the financial statements.

AASB 140 Investment Property requires investment property to be measured at cost or fair value. NSW Treasury is likely to mandate the adoption of fair value. In contrast to current treatment as an asset classified within property, plant and equipment, investment property recognised at fair value is not depreciated and changes in fair value are recognised in the income statement.

| | 2004 $000 | 2003 $000 |
|---|---|---|
| **2. PORT MANAGEMENT** | | |
| Wharfage | 44 | 24 |
| Site occupation charges | 44 | 32 |
| Ship utility charges | 3 | 3 |
| Navigation services | 354 | 391 |
| Pilotage | 99 | 111 |
| | 544 | 561 |
| **3. CHANNEL FEES** | | |
| Newcastle Port Corporation | 2,764 | 2,764 |
| Port Kembla Port Corporation | 1,208 | 1,208 |
| Sydney Ports Corporation | 2,882 | 2,882 |
| | 6,854 | 6,854 |
| **4. DRIVERS LICENCES** | | |
| One year licence | 1,914 | 1,877 |
| Three year licence | 11,338 | 10,425 |
| Licence test | 620 | 603 |
| | 13,872 | 12,905 |
| **5. BOAT REGISTRATIONS** | | |
| Initial | 878 | 904 |
| Renewal | 13,365 | 12,145 |
| Transfer charges | 510 | 463 |
| | 14,753 | 13,512 |
| **6. MOORINGS** | | |
| Private | 4,505 | 4,189 |
| Commercial | 1,319 | 1,289 |
| Inspection fees | 153 | 143 |
| Superyacht charges | 1,015 | 429 |
| | 6,992 | 6,050 |
| **7. RENTALS** | | |
| Land | 4,915 | 4,420 |
| Maritime Trade Tower – building | 10,333 | 10,537 |
| Maritime Trade Tower – land | 12,646 | 11,543 |
| Commercial | 8,671 | 7,268 |
| Private | 2,687 | 2,176 |
| Government | 67 | 378 |
| Waterways property | 172 | 138 |
| | 39,491 | 36,460 |
| **8. COMMERCIAL VESSELS CHARGES** | | |
| Survey fees | 1,604 | 1,401 |
| Registration fees | 647 | 612 |
| Examinations | 141 | 168 |
| Other | 145 | 157 |
| | 2,537 | 2,338 |

| | Note | 2004 $000 | 2003 $000 |
|---|---|---|---|
| **9. OTHER INCOME** | | | |
| Other boating fees | | 962 | 751 |
| Miscellaneous services | | 2,882 | 1,937 |
| Assets provided by developer (King Street Wharf) | | – | 630 |
| Profit on disposal of assets | (a) | – | 173 |
| | | 3,844 | 3,491 |
| (a) Proceeds from sale of property, plant and equipment | | – | 643 |
| Cost of disposal | | – | 846 |
| Less: Accumulated depreciation | | – | (376) |
| Written down value of assets sold | | – | 470 |
| Gain on disposal of property, plant and equipment | | – | 173 |
| **10. INTEREST ON INVESTMENTS** | | | |
| Bank and other interest | | 194 | 278 |
| TCorp investment facility | | 4,187 | 3,543 |
| | | 4,381 | 3,821 |
| **11. APPROPRIATION** | | | |
| Capital appropriation | | | |
| Walsh Bay wharves redevelopment | (a) | 3,413 | 12,700 |
| Development of port of Eden | (b) | 252 | 991 |
| | | 3,665 | 13,691 |

(a) A total appropriation of $0.5M ($13.419M in 2002–2003) was drawn down during the year. At 30 June 2004, prior appropriations of $4.923M ($7.008M at 30 June 2003) are unspent and are accounted for as a liability. The amount was derived as follows:

| | 2004 $000 | 2003 $000 |
|---|---|---|
| Unspent appropriations at 1 July | 7,008 | 6,289 |
| Appropriations | 500 | 13,419 |
| Less: expenditure | (3,413) | (12,700) |
| Unspent appropriations at 30 June | 4,095 | 7,008 |

(b) An appropriation of $nil was drawn down during the year. At 30 June 2004, prior appropriations of $3.056M are unspent and are accounted for as a liability. The amount was derived as follows:

| | 2004 $000 | 2003 $000 |
|---|---|---|
| Unspent appropriations at 1 July | 3,308 | 1,299 |
| Appropriations | – | 3,000 |
| Less: expenditure | (252) | (991) |
| Unspent appropriations at 30 June | 3,056 | 3,308 |

# NOTES

to and forming part of the Financial Statements for the year ended 30 June 2004

| | 2004 $000 | 2003 $000 |
|---|---|---|
| **12. GRANTS AND SUBSIDIES** | | |
| King Street wharf development | – | 6,176 |
| Walsh Bay wharves redevelopment | – | 5,000 |
| Stockton ferry wharves, Newcastle | – | 594 |
| Employee Self Service payroll and leave entitlement software | – | 40 |
| Commercial Vessels Safety Management System | 166 | – |
| Towra Point erosion control project | 800 | – |
| | 966 | 11,810 |
| **13. EMPLOYEE RELATED EXPENSES** | | |
| Ordinary time | 17,795 | 16,180 |
| Long service leave | 1,049 | 1,054 |
| Recreation leave | 1,580 | 1,540 |
| Payroll tax and fringe benefits tax | 1,598 | 1,411 |
| Overtime | 323 | 325 |
| Sick leave | 307 | 298 |
| Voluntary separation payments | 8 | 40 |
| Other employee benefits | 1,525 | 799 |
| External labour | 1,399 | 1,034 |
| | 25,584 | 22,681 |
| **14. SERVICE CONTRACTORS** | | |
| Contractors | 6,414 | 4,951 |
| Maintenance agreements | 1,321 | 3,234 |
| Wharf maintenance | 1,830 | 2,179 |
| Navigational aids maintenance | 1,453 | 1,425 |
| Others | 356 | 25 |
| | 11,374 | 11,814 |
| **15. ADMINISTRATION** | | |
| Advertising | 416 | 451 |
| Collection fees | 532 | 363 |
| Printing | 527 | 730 |
| Rent | 748 | 713 |
| Training | 373 | 325 |
| Stationery and office supplies | 234 | 255 |
| Insurance | 768 | 611 |
| Travel | 500 | 597 |
| Motor vehicle and vessel expenses | 545 | 604 |
| Other | 3,026 | 3,663 |
| | 7,669 | 8,312 |

| | 2004 $000 | 2003 $000 |
|---|---|---|
| **16. GRANT EXPENDITURES** | | |
| Volunteer Marine Rescue Council | 622 | 746 |
| Coastal Radio Network | 64 | 54 |
| Cahill Expressway projects | – | 500 |
| National Marine Safety Committee | 307 | – |
| Australia Day Waterways Authority Staff Support | 165 | – |
| Harrington Coastal Patrol building | 16 | – |
| Moorings for Lord Howe Island lagoon | 28 | 28 |
| | 1,202 | 1,328 |
| **17. FINANCIAL EXPENSES** | | |
| Transactions and account keeping fees | 45 | 83 |
| | 45 | 83 |
| **18. LOSS ON DISPOSAL OF ASSETS** | | |
| Proceeds from sale of property, plant and equipment | 1,291 | 337 |
| Cost of disposal | 2,339 | 1,139 |
| Less: accumulated depreciation | (976) | (435) |
| Written down value of assets sold | 1,363 | 704 |
| Loss on disposal of property, plant and equipment | (72) | (367) |
| **19. SIGNIFICANT ITEMS** | | |
| Profit from ordinary activities includes the following expenses, the disclosure of which is relevant in explaining the financial performance of Waterways: | | |
| Superannuation funding – expense (surplus) (a) | (1,410) | 3,786 |
| Assets provided by developer (King Street Wharf) (b) | – | 630 |

(a) Superannuation was reassessed by Pillar Administration. The assessment resulted in a funding surplus of $1,409,826 in 2003–2004 (deficit of $3,786,263 in 2002–2003). The amount is considered to be significant due to its size in relation to the operating result.

(b) This amount represents work performed to date on assets provided by the developer to Waterways in return for granting 99 year leases at King Street Wharf.

| | Note | 2004<br>$000 | 2003<br>$000 |
|---|---|---|---|
| **20. RECEIVABLES** | | | |
| **Current** | | | |
| Trade debtors | | 451 | 486 |
| Rental debtors | | 1,318 | 1,566 |
| Payments in advance | | 104 | 177 |
| Accrued income | | 712 | 1,288 |
| Land sale receivables | (a) | 1,722 | 1,810 |
| Net GST receivable | | 414 | 2,102 |
| Other | | 297 | 1,031 |
| Less: provision for doubtful debts | | (222) | (217) |
| | | 4,796 | 8,243 |
| **Non-current** | | | |
| Land sale receivable | (a) | 11,093 | 12,814 |
| Prepaid superannuation | (b) | 4,450 | 2,908 |
| Long-term lease rental | | – | – |
| | | 15,543 | 15,722 |

**(i) Net fair values**

Waterways considers the carrying amount of debtors approximate their net fair values.

**(ii) Significant terms and conditions**

Trade debtors are required to be settled within 7 days and rental debtors are required to be settled on their due date.

**(iii) Credit risk**

Waterways does not have any significant exposure to any individual customer or counterparty. The maximum credit risk is considered to be the net fair value.

Major concentrations of credit risk that arise from Waterways debtors in relation to the industry categories and location of the customer by the percentage of the total receivable from customers are:

| Catergories | 2004 | 2003 |
|---|---|---|
| Boating industries | 39% | 30% |
| Government authorities | 16% | 32% |
| Other business | 45% | 38% |
| | 100% | 100% |

(a) Land sale receivables relate to the Maritime Trade Tower land which was sold in 1989 on a 96 year term with payments extending for 25 years. These amounts represent the capital portion owed. The purchaser's tenure is secured by a lease.

(b) The prepaid superannuation contribution for employee retirement benefits under the State Superannuation Scheme (SSS) has been recognised as an asset and classified as a non-current receivable. The liability under the State Authorities Superannuation Scheme (SASS) and State Authorities Non-Contributory Scheme (SANCS) has been recognised as a liability and classified as a current liability. Details of the amounts are as follows:

## 20. RECEIVABLES (CONTINUED)

| | Total liability 2004 $000 | Funding 2004 $000 | Prepaid 2004 $000 | Liability 2004 $000 |
|---|---|---|---|---|
| State Superannuation Scheme | 24,384 | 28,834 | 4,450 | – |
| State Authorities Non-Contributory Scheme | 2,818 | 819 | – | 1,999 |
| State Authorities Superannuation Scheme | 7,070 | 6,029 | – | 1,041 |
| | 34,272 | 35,682 | 4,450 | 3,040 |

| | Total liability 2003 $000 | Funding 2003 $000 | Prepaid 2003 $000 | Liability 2003 $000 |
|---|---|---|---|---|
| State Superannuation Scheme | 22,010 | 24,918 | 2,908 | – |
| State Authorities Non-Contributory Scheme | 2,513 | 650 | – | 1,863 |
| State Authorities Superannuation Scheme | 6,153 | 4,826 | – | 1,327 |
| | 30,676 | 30,394 | 2,908 | 3,190 |

The assessment of SASS, SANCS, and SSS is based on the requirements of Australian Accounting Standard AAS 25, Financial Reporting by Superannuation Plans. AAS 25 requires that a "market determined risk adjusted discount rate" be applied as the valuation interest rate in the calculation of the value of accrued benefits. A review of the interest rate assumption used in the 2003 valuation has confirmed the interest rate of 7% per annum should remain unchanged for the 2004 employer liability calculation. The assessment was prepared on 5 July 2004. The assumptions that were applied for the 2004 calculation are:

| | 2004–2005 % | 2005–2006 % | 2006–2007 % |
|---|---|---|---|
| Rate of investment return (after tax and investment related expenses) | 7 | 7 | 7 |
| Rate of general salary increase (inc. reclassification) | 4 | 4 | 4 |
| Rate of increase in CPI (Sydney, all groups) | 2.5 | 2.5 | 2.5 |

| | Note | 2004 $000 | 2003 $000 |
|---|---|---|---|
| **21. INVENTORIES** | | | |
| **Current** | | | |
| Consumable – fuel (at cost) | | 54 | 55 |
| **22. OTHER FINANCIAL ASSETS** | | | |
| **Current** | | | |
| TCorp Hour-Glass investment facilities | (a) | 51,779 | 4,629 |
| (a) The amount comprises: | | | |
| Bond market facility | | 41,307 | 2,776 |
| Medium term growth facility | | 10,472 | 1,853 |
| | | 51,779 | 4,629 |

## 22. OTHER FINANCIAL ASSETS (CONT)

The value shown is market value

**(i) Net fair values**

Waterways considers the carrying amount of investments approximates their net fair values.

**(ii) Significant terms and conditions**

The TCorp Hour-Glass is an at-call, unit trust style, investment facility, where Waterways funds are used to purchase units that are readily converted to cash.

**(iii) Credit risk**

Waterways considers it does not have any significant risk exposure for investment in the TCorp Hour-Glass Facility. The maximum credit risk is considered to be the net fair value.

| | 2004<br>$000 | 2003<br>$000 |
|---|---|---|
| **23. PROPERTY, PLANT AND EQUIPMENT** | | |
| Property, plant and equipment (at cost or valuation) | **489,063** | 468,216 |
| Accumulated depreciation | **(33,581)** | (24,288) |
| | **455,482** | 443,928 |
| Construction in progress | **3,049** | 16,232 |
| | **458,531** | 460,160 |
| **Land and buildings** | | |
| Land | | |
| At independent valuation 1 July 2000 | **59,364** | 59,549 |
| At management valuation 30 June 2002 | **2,000** | 2,000 |
| At cost | **2,473** | 2,462 |
| | **63,837** | 64,011 |
| Buildings | | |
| At independent valuation 1 July 2000 | **119,214** | 119,213 |
| At management valuation 30 June 2002 | **2,600** | 2,600 |
| At cost | **25,719** | 25,718 |
| Accumulated depreciation | **(12,531)** | (9,038) |
| | **135,002** | 138,493 |
| **Plant and equipment** | | |
| Plant | | |
| At management valuation 1 July 2000 | **5,371** | 5,963 |
| At cost | **6,471** | 4,460 |
| Accumulated depreciation | **(4,572)** | (3,334) |
| | **7,270** | 7,089 |
| Computer hardware and software | | |
| At management valuation 1 July 2000 | **4,658** | 4,865 |
| At cost | **3,758** | 2,838 |
| Accumulated depreciation | **(5,169)** | (3,812) |
| | **3,247** | 3,891 |

## 23. PROPERTY, PLANT AND EQUIPMENT (CONT)

| | 2004 $000 | 2003 $000 |
|---|---|---|
| Motor vehicles | | |
| At management valuation 1 July 2000 | 112 | 188 |
| At cost | 3,317 | 3,133 |
| Accumulated depreciation | (520) | (422) |
| | 2,909 | 2,899 |
| Furniture and fittings | | |
| At management valuation 1 July 2000 | 951 | 956 |
| At cost | 508 | 415 |
| Accumulated depreciation | (413) | (305) |
| | 1,046 | 1,066 |
| **Infrastructure system** | | |
| Navigational aids | | |
| At management valuation 1 July 2000 | 3,919 | 3,992 |
| At cost | 3,066 | 2,515 |
| Accumulated depreciation | (1,691) | (1,399) |
| | 5,294 | 5,108 |
| Wharves and jetties | | |
| At management valuation 1 July 2000 | 22,516 | 22,531 |
| At cost | 48,808 | 30,557 |
| Accumulated depreciation | (6,933) | (4,769) |
| | 64,391 | 48,319 |
| Moorings | | |
| At management valuation 1 July 2000 | 2,037 | 2,037 |
| Accumulated depreciation | (1) | (1) |
| | 2,036 | 2,036 |
| Roadways | | |
| At management valuation 1 July 2000 | 290 | 290 |
| At cost | 6,106 | 6,106 |
| Accumulated depreciation | (844) | (524) |
| | 5,552 | 5,872 |
| Dredging | | |
| At management valuation 1 July 2000 | 140,745 | 140,745 |
| Seawalls | | |
| At management valuation 1 July 2000 | 5,800 | 5,800 |
| Accumulated depreciation | (907) | (680) |
| | 4,893 | 5,120 |

## 23. PROPERTY, PLANT AND EQUIPMENT (CONT)

| | 2004 $000 | 2003 $000 |
|---|---|---|
| Wetlands | | |
| At management valuation 1 July 2000 | 17,982 | 18,001 |
| At management valuation 30 June 2002 | 1,248 | 1,248 |
| At cost | 30 | 30 |
| | 19,260 | 19,279 |
| **Total property plant and equipment** | | |
| At management valuation 1 July 2000 | 204,381 | 205,368 |
| At independent valuation 1 July 2000 | 178,578 | 178,762 |
| At management valuation 30 June 2002 | 5,848 | 5,848 |
| At cost | 100,256 | 78,234 |
| Accumulated depreciation | (33,581) | (24,284) |
| | 455,482 | 443,928 |
| **Construction in progress** | | |
| Buildings – at cost | 519 | 3,699 |
| Plant and equipment – at cost | 376 | 370 |
| Infrastructure – at cost | 2,154 | 12,163 |
| | 3,049 | 16,232 |

**Reconciliations**

Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.

| | 2004 $000 | 2003 $000 |
|---|---|---|
| **Land and buildings** | | |
| Land | | |
| Opening balance | 64,011 | 62,231 |
| Add: acquisitions | 11 | 1,780 |
| Less: disposals | (185) | – |
| | 63,837 | 64,011 |
| Buildings | | |
| Opening balance | 138,493 | 135,651 |
| Add: acquisitions | – | 6,312 |
| Less: disposals | – | (188) |
| Less: depreciation | (3,491) | (3,282) |
| | 135,002 | 138,493 |
| **Plant and equipment** | | |
| Plant | | |
| Opening balance | 7,089 | 6,978 |
| Add: acquisitions | 2,160 | 1,901 |
| Less: disposals | (303) | (251) |
| Less: depreciation | (1,676) | (1,539) |
| | 7,270 | 7,089 |

## 23. PROPERTY, PLANT AND EQUIPMENT (CONT)

| | 2004 $000 | 2003 $000 |
|---|---|---|
| Computer hardware and software | | |
| Opening balance | 3,891 | 4,105 |
| Add: acquisitions | 1,034 | 1,248 |
| Less: disposals | (82) | (68) |
| Less: depreciation | (1,596) | (1,394) |
| | 3,247 | 3,891 |
| Motor vehicles | | |
| Opening balance | 2,899 | 2,546 |
| Add: acquisitions | 1,104 | 1,229 |
| Less: disposals | (761) | (576) |
| Less: depreciation | (333) | (300) |
| | 2,909 | 2,899 |
| Furniture and fittings | | |
| Opening balance | 1,066 | 1,091 |
| Add: acquisitions | 88 | 78 |
| Less: depreciation | (108) | (103) |
| | 1,046 | 1,066 |
| **Infrastructure system** | | |
| Navigational aids | | |
| Opening balance | 5,108 | 4,551 |
| Add: acquisitions | 553 | 897 |
| Less: disposals | (13) | (41) |
| Less: depreciation | (354) | (299) |
| | 5,294 | 5,108 |
| Wharves and jetties | | |
| Opening balance | 48,319 | 43,273 |
| Add: acquisitions | 18,236 | 6,895 |
| Less: depreciation | (2,164) | (1,849) |
| | 64,391 | 48,319 |
| Moorings | | |
| Opening balance | 2,036 | 2,037 |
| Less: depreciation | – | (1) |
| | 2,036 | 2,036 |
| Roadways | | |
| Opening balance | 5,872 | 4,570 |
| Add: acquisitions | – | 1,550 |
| Less: depreciation | (320) | (248) |
| | 5,552 | 5,872 |

## 23. PROPERTY, PLANT AND EQUIPMENT (CONT)

| | 2004 $000 | 2003 $000 |
|---|---|---|
| Dredging | | |
| Opening balance | 140,745 | 140,745 |
| Seawalls | | |
| Opening balance | 5,120 | 5,347 |
| Less: depreciation | (227) | (227) |
| | 4,893 | 5,120 |
| Wetlands | | |
| Opening balance | 19,279 | 19,303 |
| Add: acquisitions | 28 | – |
| Less: disposals | (19) | (52) |
| | 19,260 | 19,279 |
| Total property plant and equipment | | |
| Opening balance | 443,928 | 432,428 |
| Add: acquisitions | 23,186 | 21,918 |
| Less: disposals | (1,363) | (1,176) |
| Less: depreciation | (10,269) | (9,242) |
| | 455,482 | 443,928 |
| Movement in construction in progress | | |
| Opening balance | 16,232 | 15,139 |
| Add: acquisitions | 10,003 | 22,383 |
| Add: recognition of asset acquired (King Street Wharf) | – | 630 |
| | 26,235 | 38,152 |
| Less: to property, plant and equipment | (23,186) | (21,920) |
| Closing balance | 3,049 | 16,232 |

Schedule of fully depreciated assets

| Asset description | Number of assets | Number of assets |
|---|---|---|
| Wharves, jetties and seawalls | nil | nil |
| Buildings, roadways and wetlands | nil | nil |
| Computer hardware and software, furniture and fittings, navigational aids and plant | 490 | 434 |
| | 490 | 434 |

## 23. PROPERTY, PLANT AND EQUIPMENT (CONT)

**Stocktake**

An asset stocktake of all items on the Fixed Asset Register was undertaken during 2003–04. Records were adjusted for stocktake results.

**Valuation**

The fair values of freehold land and buildings have been determined by reference to independent valuations. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

In accordance with NSW Treasury requirements, all physical non-current assets were revalued as at 1 July 2000. Land and buildings at the Rozelle Bay complex were valued by Robert Kate AAPI Certified Practicing Valuer, Registered Valuer 1393, from Preston Rowe Paterson Pty Ltd. The Coffs Harbour building was valued by Warwick Reid, Registration Number 1209, a registered valuer from the State Valuation Office. Other physical non-current assets were valued by Waterways management with appropriate expertise. See also note 1(d).

In accordance with Australian Accounting Standard AAS 10 Recoverable Amount of Non-Current Assets, the recoverable amount test has not been applied to assets held at cost as Waterways is considered a not-for-profit entity and the service potential of Waterways assets is not primarily dependent upon their ability to generate net cash inflows.

The Statement of Financial Position includes real estate assets at market value and all other physical non-current assets at written down replacement price. Moorings have been revalued based on the net present value of future cash flows using a capitalisation rate of 10% and an indefinite life. Market value is held to represent the present value of future rental streams which can be generated from that asset if leased at commercial rentals. Some of the assets concerned are not currently leased and are pending disposal.

The value of foreshore land owned by Waterways has been determined by discounting the expected future net lease income at a discount rate of 7% per year for 50 years.

| | Note | 2004 $000 | 2003 $000 |
|---|---|---|---|
| **24. PAYABLES** | | | |
| Current | | | |
| Trade creditors | | 3,034 | 15,137 |
| Customer advances | | – | – |
| Priority list on moorings | | 411 | 372 |
| Wetland lease security deposits | (a) | 34,383 | 32,586 |
| Other | | 3 | 80 |
| Accrued salaries and wages | | 568 | 464 |
| Fringe benefits tax | | 47 | 45 |
| Other creditors and accruals | | 4,687 | 7,224 |
| Unspent Consolidated Fund appropriations | | 7,151 | 10,316 |
| Rent in advance | | 1,671 | 2,512 |
| Boating fees in advance | (b) | 20,840 | 19,323 |
| Maritime Trade Tower lease | (c) | 2,338 | 2,470 |
| | | 75,133 | 90,529 |

## 24. PAYABLES (CONT)

| | Note | 2004 $000 | 2003 $000 |
|---|---|---|---|
| **Non-current** | | | |
| Boating fees in advance | (b) | **8,311** | 6,706 |
| Maritime Trade Tower lease | (c) | **14,750** | 17,088 |
| | | **23,061** | 23,794 |

(a) This amount mainly represents cash deposits, in lieu of bank guarantees, received from the developer of King Street Wharf, as security over the completion of specific stages of the construction project. Once these stages are completed, approximately $18.9M will be paid to NSW Treasury as a distribution from property disposal and the balance returned to the developer.

(b) Boating fees in advance comprises prepayments by customers for licences, registrations and moorings for the service component which will be provided by Waterways in the future.

(c) Maritime Trade Tower represents the amounts owing on the acquisition of the Maritime Trade Tower building, purchased in 1989 for a period of 96 years with payments made over the first 25 years. Tenure is secured by a lease.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

Waterways considers the carrying amount of trade and other accounts payable approximate their net fair values.

## 25. PROVISIONS

| | Note | 2004 $000 | 2003 $000 |
|---|---|---|---|
| **Current** | | | |
| Annual leave | (a) | **2,269** | 2,227 |
| Long service leave | (b) | **500** | 265 |
| Superannuation – SASS | | **1,041** | 1,327 |
| Superannuation – SANCS | | **1,999** | 1,863 |
| Provision for workers' compensation | (c) | **540** | 550 |
| Provision for distribution | | **9,000** | 6,000 |
| | | **15,349** | 12,232 |
| **Non-current** | | | |
| Long service leave | (b) | **6,635** | 6,369 |
| Provision for workers' compensation | (c) | **4,323** | 3,740 |
| | | **10,958** | 10,109 |

**Movement in annual & long service leave provision**

| | Balance 1 Jul 03 $000 | Charges to revenue $000 | Less payments $000 | Balance 30 Jun 04 $000 |
|---|---|---|---|---|
| Annual leave | 2,227 | 1,580 | (1,538) | 2,269 |
| Long service leave – current | 265 | – | 235 | 500 |
| Long service leave – non-current | 6,369 | 1,049 | (783) | 6,635 |

(a) The liability for annual leave is calculated as at 1 July 2004 wage rates and has been fully provided.

(b) The liability for long service leave has been calculated as at 1 July 2004 wage rates and has been fully provided. This figure excludes allowances for personnel who were still subject to a completion of service condition.

(c) Workers' compensation provision includes $2.723M for dust diseases (2003: $2.740M) of which $150K (2003: $220K) is current. This provision is for claims from former Maritime Services Board staff for dust related diseases that can be attributed to their service prior to 30 June 1995.

Treasury Managed Fund (TMF) normally calculates hindsight premiums each year. However, the final worker's compensation hindsight adjustment for the 1997/1998 fund year and an interim adjustment for the 1999/2000 fund year were not calculated until 2003/2004. As a result, the 1998/1999 final and 2000/2001 interim hindsight calculations will be paid in 2004/2005.

| | 2004 $000 | 2003 $000 |
|---|---|---|
| **26. MOVEMENT IN ACCUMULATED FUNDS AND RESERVES** | | |
| (a) Accumulated funds | | |
| Accumulated funds at 1 July | 390,993 | 372,521 |
| Surplus (deficit) for the period | 23,747 | 35,630 |
| Distribution to the Consolidated Fund | – | (11,158) |
| Distribution provided for | (9,000) | (6,000) |
| Accumulated funds at 30 June | 405,740 | 390,993 |
| (b) Revaluation reserve | | |
| Asset revaluation reserve at 1 July | 72,305 | 72,305 |
| Revaluation increment | – | – |
| Asset revaluation reserve at 30 June | 72,305 | 72,305 |
| **27. COMMITMENTS FOR EXPENDITURES** | | |
| (a) Capital commitments | | |
| Aggregate capital expenditures contracted for at balance date and not provided: | | |
| Not later than one year | 5,516 | 12,497 |
| Later than one year and not later than 5 years | – | – |
| Later than 5 years | – | – |
| Total Including GST | 5,516 | 12,497 |
| (b) Operating expenditure commitments (excluding lease commitments) | | |
| Not later than one year | 12,388 | 12,691 |
| Later than one year and not later than 5 years | 6,743 | 8,694 |
| Later than 5 years | – | – |
| Total Including GST | 19,131 | 21,385 |

The former Maritime Services Board (MSB) was ordered by the Environment Protection Authority under Section 27 of the Clean Waters Act to remediate specific contamination areas of Homebush Bay. The obligation passed to the Marine Ministerial Holding Corporation (MMHC) as legal successor to the MSB and passed to Waterways on dissolution of the MMHC on 29 June 2000. The project commenced in 1997-98 and will conclude in 2007–08.

## 27. COMMITMENTS FOR EXPENDITURES (CONT)

| | 2004 $000 | 2003 $000 |
|---|---|---|
| **(c) Operating lease commitments** | | |
| Not later than one year | 428 | 414 |
| Later than one year and not later than 5 years | 752 | 848 |
| Later than 5 years | 361 | 395 |
| Total Including GST | 1,541 | 1,657 |
| **(d) National Marine Safety Committee (NMSC)** | | |
| Commitments in relation to operating expenditure of the NMSC are as follows: | | |
| Not later than one year | 292 | 260 |
| Later than one year and not later than 5 years | 376 | 180 |
| Later than 5 years | – | – |
| Total Including GST | 668 | 440 |
| **(e) Waterways Asset Development and Management Program (WADAMP)** | | |
| Not later than one year | 1,226 | 1,255 |
| Later than one year and not later than 5 years | 1,304 | 690 |
| Later than 5 years | – | – |
| Total Including GST | 2,530 | 1,945 |

**(f) Volunteer Marine Rescue Council of New South Wales**

Waterways entered into a conditional agreement to provide $684,200 (2003: $684,200) per year (CPI indexed) to the Volunteer Marine Rescue Council for distribution to volunteer marine rescue organisations.

The above expenditure commitments include GST input tax credits of $2.734M (2003: $3.351M) that are expected to be recoverable from the Australian Tax Office.

## 28. CONTINGENT LIABILITIES

Contingent Liabilities for unsettled claims subject to litigation as at 30 June 2004 are estimated to be $3,000,000 (2003: $3,000,000)

## 29. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

### (i) Interest rate risk

Waterways exposure to interest rate risk, and the effective interest rates on financial instruments at 30 June 2004 are:

| | Weighted Average Interest Rate Effective % | Floating Interest Rate $'000 | 1 Year or Less $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Non Interest Bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash | 5.25% | 71,843 | – | – | – | – | 71,843 |
| Investments | 4.32% | 51,779 | – | – | – | – | 51,779 |
| Receivables | | – | – | – | – | 15,295 | 15,295 |
| Total financial assets | | 123,622 | – | – | – | 15,295 | 138,917 |
| **Liabilities** | | | | | | | |
| Trade accounts payable | | – | – | – | – | 43,133 | 43,133 |
| Total financial liabilities | | – | – | – | – | 43,133 | 43,133 |
| Net financial assets (liabilities) | | 123,622 | – | – | – | (27,838) | 95,784 |
| As at 30 June 2003: | | | | | | | |
| **Assets** | | | | | | | |
| Cash | 4.85% | 111,153 | – | – | – | – | 111,153 |
| Investments | 6.12% | 4,629 | – | – | – | – | 4,629 |
| Receivables | | – | – | – | – | 19,809 | 19,809 |
| Total financial assets | | 115,782 | – | – | – | 19,809 | 135,591 |
| **Liabilities** | | | | | | | |
| Trade accounts payable | | – | – | – | – | 55,908 | 55,908 |
| Total financial liabilities | | – | – | – | – | 55,908 | 55,908 |
| Net financial assets (liabilities) | | 115,782 | – | – | – | (36,099) | 79,683 |

### (ii) Credit risk

All financial assets are unsecured. The carrying amounts of financial assets included in the Statement of Financial Position represent Waterways maximum exposure to credit risk in relation to these assets. Where Waterways has a right of set-off and intends to settle on a net basis, this set-off has been reflected in the financial statements in accordance with accounting standards.

| | 2004 $000 | 2003 $000 |
|---|---|---|
| **30.** **(a) Reconciliation of net cash flows from operating activities to net surplus (deficit)** | | |
| Net cash provided by (used in) operating activities | **20,743** | 96,158 |
| Depreciation and amortisation | **(10,269)** | (9,243) |
| Net gain/(loss) on asset disposal | **(72)** | (194) |
| Non-cash assets provided by developer | **–** | 630 |
| Changes in assets and liabilities | | |
| Increase/(decrease) in current receivables | **(3,359)** | 2,561 |
| Increase/(decrease) in inventory | **(1)** | 12 |
| Increase/(decrease) in non current receivables | **1,692** | (4,759) |
| Decrease/(increase) in current payables | **15,502** | (51,265) |
| Decrease/(increase) in current provisions | **(373)** | (187) |
| Decrease/(increase) in non-current payables | **733** | 2,551 |
| Decrease/(increase) in non-current provisions | **(849)** | (634) |
| Net surplus/(deficit) | **23,747** | 35,630 |

**Non-cash investing activities**

There were no non-cash investing activities during the reporting period. During the previous year Waterways acquired property with a fair value of $0.630M. This represents consideration for the grant of a 99 year lease at King Street Wharf. As part of the leasing arrangement Waterways did not pay any cash consideration for these assets and as such there was no cash flow associated with this transaction.

**(b) Reconciliation of cash in the Statement of Financial Position** to cash in the Statement of Cash Flows

| | 2004 $000 | 2003 $000 |
|---|---|---|
| Cash on hand | **47** | 45 |
| Cash in bank | **2,171** | 506 |
| Investments – TCorp Hour-Glass cash facilities | **69,625** | 110,602 |
| Cash assets in the Statement of Financial Position | **71,843** | 111,153 |
| Investments – TCorp Hour-Glass bond market facility (refer note 22) | **41,307** | 2,776 |
| Investments – TCorp Hour-Glass medium term growth facility (refer note 22) | **10,472** | 1,853 |
| Cash in the Statement of cash flows | **123,622** | 115,782 |

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to Cash in the Statement of Financial Position. Cash on hand refers to advances for petty cash and floats for cash registers. Investments are considered as cash equivalents as they are readily convertible to cash.