

FINANCIAL STATEMENTS

For the year ended 30 June 2005

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INDEPENDENT AUDIT REPORT



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

NSW MARITIME 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 NSW Maritime Authority:

- (a) presents fairly the Authority's financial position as at 30 June 2005 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 28(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 2005 was \$11.5 million (2004: \$16.9 million) exclusive of GST. 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 would increase by \$2.4 million (\$9.9 million), non-current liabilities by \$9.1 million (\$7 million), the net surplus would decrease by \$11.5 million (\$16.9 million) and accumulated funds would decrease by \$11.5 million (\$16.9 million). Commitments disclosed in note 28 (b) would decrease by \$11.5 million (\$16.9 million) exclusive of GST.

My audit report for the year ended 30 June 2004 was similarly qualified.

The Chief Executive's Role

The financial report is the responsibility of the Chief Executive of the NSW Maritime 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 not fulfilled 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 J Sendt
Auditor-General

SYDNEY
27 October 2005

STATEMENT BY CHIEF EXECUTIVE

NSW MARITIME Financial Statements
For the year ended 30 June 2005

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 2005 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

27 October 2005

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2005

	Note	2005 \$000	2004 \$000
REVENUES FROM ORDINARY ACTIVITIES			
Port management	2	738	544
Channel fees	3	6,854	6,854
Drivers licences	4	14,540	13,872
Boat registrations	5	15,581	14,753
Moorings	6	7,340	6,992
Rentals	7	40,544	39,491
Commercial vessel charges	8	2,647	2,537
Other	9	5,509	5,613
Interest on investments	10	6,537	4,381
Capital appropriation	11	4,167	3,665
Grants and subsidies	12	988	966
Revaluation increment (reversal of previous decrement)		35,818	-
Total revenues from ordinary activities		141,263	99,668
EXPENSES FROM ORDINARY ACTIVITIES			
Employee related expenses	13	26,296	25,584
Superannuation expenses	14	2,172	2,187
Service contractors	15	11,418	11,374
Materials		1,029	945
Utilities and communications		2,436	2,401
Administration	16	9,608	7,669
Depreciation		11,063	10,269
Grants and subsidies	17	1,259	1,202
Waterways Asset Development and Management Program		1,127	1,051
Financial expenses	18	43	45
Interest - Maritime Trade Tower		14,188	12,976
Audit fees - audit of the financial report		145	146
Loss on disposal of assets	19	570	72
Total expenses from ordinary activities		81,354	75,921
Net surplus (deficit)		59,909	23,747
Non-owner transactions changes in equity			
Net increase/(decrease) in asset revaluation reserve		115,948	-
Total changes in equity other than those resulting from transactions with Government as owners		175,857	23,747

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

	Note	2005 \$000	2004 \$000
CURRENT ASSETS			
Cash assets	31	69,556	71,843
Receivables	21	12,582	4,796
Inventory	22	77	54
Other financial assets	23	60,121	51,779
Total current assets		142,336	128,472
NON-CURRENT ASSETS			
Receivables	21	16,750	15,543
Property, plant and equipment	24	613,140	458,531
Total non-current assets		629,890	474,074
Total assets		772,226	602,546
CURRENT LIABILITIES			
Payables	25	79,296	75,133
Provisions	26	19,401	15,349
Total current liabilities		98,697	90,482
NON-CURRENT LIABILITIES			
Payables	25	20,391	23,061
Provisions	26	11,856	10,958
Total non-current liabilities		32,247	34,019
Total liabilities		130,944	124,501
Net assets		641,282	478,045
EQUITY			
Accumulated funds	27	453,029	405,740
Asset revaluation reserve	27	188,253	72,305
Total equity		641,282	478,045

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2005

	Note	2005 \$000	2004 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating receipts		108,933	100,991
Security bonds received		1,845	-
Interest received		6,535	4,379
Grants and subsidies		988	966
Net GST received		826	1,904
Total receipts		119,127	108,240
Payments			
Operating payments		(75,837)	(73,970)
Interest paid		(14,188)	(12,976)
Payments for Waterways Asset Development and Management Program		(1,127)	(1,051)
Total payments		(91,152)	(87,997)
CASH FLOWS FROM GOVERNMENT			
Capital appropriation:			
Walsh Bay development		-	500
Total cash flows from government		-	500
Net cash inflows from operating activities	31	27,975	20,743
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(15,402)	(10,003)
Proceeds from sale of property, plant and equipment		2,482	3,100
Net cash outflows used in investing activities		(12,920)	(6,903)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid:			
Operating		(9,000)	(6,000)
Net cash outflows used in financing activities		(9,000)	(6,000)
Net increase (decrease) in cash held		6,055	7,840
Cash at the beginning of the year		123,622	115,782
Cash at the end of the year	31	129,677	123,622

The accompanying notes form part of these financial statements

NOTES

to and forming part of the Financial Statements for the year ended 30 June 2005

NSW Maritime was established as the Waterways Authority 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

All significant physical non-current assets of NSW Maritime were revalued as at 1 July 2005. The valuations at 1 July 2005 were considered to be reasonably representative of the fair value of the assets at 30 June 2005, so those revaluations have been reflected in the year ended 30 June 2005. 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 February 2003.

A valuation materiality threshold of \$250,000 was adopted, which meant that only asset classes with a written down value in excess of \$250,000 were subject to revaluation of value. Those assets not revalued are recorded at their historical cost or previously revalued amount, which is considered not to be materially different from fair value. The written down replacement cost of a number of assets has been established by qualified persons within NSW Maritime.

(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 NSW Maritime 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 NSW Maritime 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 2005 financial year:

	Rates %
Buildings	2-5
Plant & 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 & fittings	7.5-20
Infrastructure	
Moorings	0-5
Navigational aids	5-20
Roadways	5
Wharves & 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 NSW Maritime 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.

NOTES

to and forming part of the Financial Statements for the year ended 30 June 2005

(l) Insurance

NSW Maritime's insurance requirement is managed by the NSW Treasury Managed Fund. NSW Maritime had the following coverage in place during 2004-2005: 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 NSW Maritime 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

NSW Maritime 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 equal 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

NSW Maritime is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AAS) to Australian Equivalents of International Financial Reporting Standards (AEIFRS) which will be applicable for the financial year ended 30 June 2006.

In 2004, NSW Maritime allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AEIFRS. As a result, the following steps were taken to manage the transition to the new standards:

1. A committee was 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 was developed, and the following phases implemented:

- Scope, plan and identify AEIFRS issues
Determine process changes required
- Implement AEIFRS
- Evaluate and test effectiveness of implementation

A post implementation review will be carried out during the year ended 30 June 2006 (completion of this review is expected by 31 March 2006).

Priority has been given to the preparation of an opening balance sheet in accordance with AEIFRS as at 1 July 2004, NSW Maritime's transition date to AEIFRS. This will form the basis of accounting for AEIFRS in the future, and is required when NSW Maritime prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AEIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AEIFRS may differ from the estimates disclosed due to:

- (a) ongoing work being undertaken by NSW Maritime in relation to AEIFRS;
- (b) potential amendments to AEIFRS and interpretations thereof being issued by the standard-setters and/or NSW Treasury;
- (c) emerging accepted practice in the interpretation and application of AEIFRS and UIG Interpretations; and
- (d) a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AEIFRS and 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.

Reconciliation of equity as presented under AAS to that under AEIFRS

	Note	30 June 2005 \$'000	1 July 2004 \$'000
Total equity under AAS		641,282	478,045
Restatement of superannuation liability	(i)	(11,400)	(6,007)
Environmental restoration obligation	(ii)	(20,300)	(17,000)
Total equity under AEIFRS		609,582	455,038

(i) 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. This has resulted in a restatement of the liability.

(ii) AASB 137 Provisions, Contingent Liabilities and Contingent Assets requires the recognition of a provision for restoration of Homebush Bay as a result of NSW Maritime's obligation to clean up environmental damage at that site.

The following is a summary of additional AEIFRS standards which are likely to affect financial disclosures made by NSW Maritime:

(i) AASB 140 Investment Property requires investment property to be recognised separately in the Balance Sheet, in contrast to current treatment as an asset classified within property, plant and equipment. Changes in the fair value of investment property will be recognised in the income statement.

(ii) AASB 138 Intangible Assets requires computer software not integral to the related hardware to be accounted for as intangible assets rather than as property, plant and equipment.

Reconciliation of net profit under AAS to that under AEIFRS

	Note	30 June 2005 \$'000
Net profit as reported under AAS		59,909
Revaluation reversal of previous decrement	(i)	(35,818)
Investment properties depreciation	(ii)	2,200
Investment properties revaluation increment	(ii)	22,000
Provision for remediation	(iii)	(3,300)
Superannuation restatement	(iv)	(5,393)
Net profit under AEIFRS		39,598

(i) For the purposes of AEIFRS, all revaluation increments (except for investment properties) have been recorded in the Asset Revaluation Reserve regardless of the treatment in prior years under AAS.

(ii) Under AASB 140 Investment Assets, there is no depreciation charge in relation to NSW Maritime's investment property. Instead, revaluation increments are taken to profit

(iii) Under AASB 137 increases in the provision for remediation of Homebush Bay are recorded as a charge against profit.

(iv) Under AASB 119 Employee Benefits, NSW Maritime's superannuation obligations will be restated using a different discount rate. This would have resulted in a decrease in profit during the year.

NOTES

to and forming part of the Financial Statements for the year ended 30 June 2005

	2005 \$000	2004 \$000
2. PORT MANAGEMENT		
Wharfage	106	44
Site occupation charges	50	44
Ship utility charges	3	3
Navigation services	446	354
Pilotage	133	99
	738	544
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	1,929	1,914
Three year licence	11,972	11,338
Licence test	639	620
	14,540	13,872
5. BOAT REGISTRATIONS		
Initial	950	878
Renewal	14,118	13,365
Transfer charges	513	510
	15,581	14,753
6. MOORINGS		
Private	4,698	4,505
Commercial	1,662	1,319
Inspection fees	155	153
Superyacht charges	825	1,015
	7,340	6,992
7. RENTALS		
Land	1,083	4,915
Maritime Trade Tower - building	9,362	10,333
Maritime Trade Tower - land	13,815	12,646
Commercial	13,154	8,671
Private	2,715	2,687
Government	195	67
NSW Maritime property	220	172
	40,544	39,491

	Note	2005 \$000	2004 \$000
8. COMMERCIAL VESSELS CHARGES			
Survey fees		1,653	1,604
Registration fees		659	647
Examinations		170	141
Other		165	145
		2,647	2,537
9. OTHER INCOME			
Other boating fees		1,098	962
Superannuation reassessment adjustment (refer note 20)		2,555	1,769
Miscellaneous services		1,856	2,882
		5,509	5,613
10. INTEREST ON INVESTMENTS			
Bank and other interest		186	194
TCorp investment facility		6,351	4,187
		6,537	4,381
11. APPROPRIATION			
Capital appropriation			
Walsh Bay wharves redevelopment	(a)	4,095	3,413
Development of port of Eden	(b)	72	252
		4,167	3,665
(a) A total appropriation of \$nil (\$0.5M 2003–2004) was drawn down during the year. At 30 June 2005, prior appropriations of \$nil (\$4.095M at 30 June 2004) are unspent and are accounted for as a liability. The amount was derived as follows:			
Unspent appropriations at 1 July		4,095	7,008
Appropriations		-	500
Less: expenditure		(4,095)	(3,413)
Unspent appropriations at 30 June		-	4,095
(b) At 30 June 2005, prior appropriations of \$2.984M (\$3.056M at 30 June 2004) are unspent and are accounted for as a liability. The amount was derived as follows:			
Unspent appropriations at 1 July		3,056	3,308
Less: expenditure		(72)	(252)
Unspent appropriations at 30 June		2,984	3,056

NOTES

to and forming part of the Financial Statements for the year ended 30 June 2005

	2005 \$000	2004 \$000
12. GRANTS AND SUBSIDIES		
Commercial Vessels Safety Management System	-	166
Towra Point erosion control project	488	800
Jones Bay Wharf sewerage pumpout	500	-
	988	966
13. EMPLOYEE RELATED EXPENSES		
Ordinary time	18,353	17,795
Long service leave	715	1,049
Recreation leave	1,661	1,580
Payroll tax and fringe benefits tax	2,240	1,598
Overtime	324	323
Sick leave	387	307
Voluntary separation payments	236	8
Other employee benefits	1,317	1,525
External labour	1,063	1,399
	26,296	25,584
14. SUPERANNUATION		
Contributions	2,172	2,187
15. SERVICE CONTRACTORS		
Contractors	7,765	6,414
Maintenance agreements	943	1,321
Wharf maintenance	1,528	1,830
Navigational aids maintenance	1,151	1,453
Others	31	356
	11,418	11,374
16. ADMINISTRATION		
Advertising	473	416
Collection fees	532	532
Printing	541	527
Rent	788	748
Training	293	373
Stationery and office supplies	235	234
Insurance	865	768
Travel	548	500
Motor vehicle and vessel expenses	579	545
Legal fees	2,766	1,570
Management fees - Port Corporation	756	586
Internal audit fees	123	157
Subscriptions, donations and professional fees	159	150
Other	950	563
	9,608	7,669

	2005 \$000	2004 \$000
17. GRANT EXPENDITURES		
Volunteer Marine Rescue Council	674	622
Coastal Radio Network	-	64
National Marine Safety Committee	341	307
Australia Day NSW Maritime Staff Support	169	165
Harrington Coastal Patrol building	74	16
Moorings for Lord Howe Island lagoon	-	28
Regional Management of Aboriginal Employment	1	-
	1,259	1,202
18. FINANCIAL EXPENSES		
Transactions and account keeping fees	43	45
	43	45
19. LOSS ON DISPOSAL OF ASSETS		
Disposed assets at cost	2,844	2,339
Less: accumulated depreciation	(1,348)	(976)
Written down value of disposed assets	1,496	1,363
Less: proceeds from sale of property, plant and equipment	926	1,291
Loss on disposal of property, plant and equipment	570	72
20. SIGNIFICANT ITEMS		
Profit from ordinary activities includes the following revenues, the disclosure of which is relevant in explaining the financial performance of NSW Maritime:		
Superannuation funding – surplus (refer note 9)	2,555	1,769

Superannuation was reassessed by Pillar Administration. The assessment resulted in a funding surplus of \$3,926,167 in 2004–2005 (surplus of \$1,409,826 in 2003–2004). The resulting revenue amount is considered to be significant due to its size in relation to the operating result.

NOTES

to and forming part of the Financial Statements for the year ended 30 June 2005

	Note	2005 \$000	2004 \$000
21. RECEIVABLES			
Current			
Trade debtors		355	451
Rental debtors		938	1,318
Payments in advance		7,724	104
Accrued income		674	712
Land sale receivables	(a)	1,803	1,722
Net GST receivable		1,077	414
Other		231	297
Less: provision for doubtful debts		(220)	(222)
		12,582	4,796
Non-current			
Land sale receivable	(a)	9,456	11,093
Prepaid superannuation	(b)	7,294	4,450
		16,750	15,543

(i) Net fair values

NSW Maritime 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

NSW Maritime 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 NSW Maritime debtors in relation to the industry categories and location of the customer by the percentage of the total receivable from customers are:

Categories	2005	2004
Boating industries	42%	39%
Government authorities	14%	16%
Other business	44%	45%
	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 Superannuation Scheme (SANCS) has been recognised as a liability and classified as a current liability. Details of the amounts are as follows:

21. RECEIVABLES (CONTINUED)

	Total liability 2005 \$000	Funding 2005 \$000	Prepaid 2005 \$000	Liability 2005 \$000
State Superannuation Scheme	24,443	31,737	7,294	-
State Authorities Non-Contributory Superannuation Scheme	2,983	823	-	2,160
State Authorities Superannuation Scheme	7,516	6,308	-	1,208
	34,942	38,868	7,294	3,368

	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 Superannuation Scheme	2,818	819	-	1,999
State Authorities Superannuation Scheme	7,070	6,029	-	1,041
	34,272	35,682	4,450	3,040

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 2004 valuation has confirmed the interest rate of 7% per annum should remain unchanged for the 2005 employer liability calculation. The assessment was prepared on 8 July 2005. The assumptions that were applied for the 2005 calculation are:

	2005-2006 %	2006-2007 %	2007-2008 %
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	2005 \$000	2004 \$000
22. INVENTORIES			
Current			
Consumable – fuel (at cost)		77	54
23. OTHER FINANCIAL ASSETS			
Current			
TCorp Hour-Glass investment facilities	(a)	60,121	51,779
(a) The amount comprises:			
Bond market facility		48,686	41,307
Medium term growth facility		11,435	10,472
		60,121	51,779

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23. OTHER FINANCIAL ASSETS (CONT)

The value shown is market value

(i) Net fair values

NSW Maritime 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 NSW Maritime funds are used to purchase units that are readily converted to cash.

(iii) Credit risk

NSW Maritime 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.

	2005 \$000	2004 \$000
24. PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment (at cost or valuation)	619,061	489,063
Accumulated depreciation	(16,421)	(33,581)
	602,640	455,482
Construction in progress	10,500	3,049
	613,140	458,531
Land and buildings		
Land		
At independent valuation 1 July 2000	-	59,364
At management valuation 30 June 2002	-	2,000
At cost	-	2,473
At independent valuation 1 July 2005	59,360	-
At management valuation 1 July 2005	50,445	-
	109,805	63,837
Buildings		
At independent valuation 1 July 2000	-	119,214
At management valuation 30 June 2002	-	2,600
At cost	-	25,719
Accumulated depreciation	-	(12,531)
At independent valuation 1 July 2005	133,690	-
At management valuation 1 July 2005	18,245	-
	151,935	135,002
Plant and equipment		
Plant		
At management valuation 1 July 2000	5,357	5,371
At cost	7,863	6,471
Accumulated depreciation	(5,906)	(4,572)
	7,314	7,270

24. PROPERTY, PLANT AND EQUIPMENT (CONT)

	2005 \$000	2004 \$000
Computer hardware and software		
At management valuation 1 July 2000	3,898	4,658
At cost	4,883	3,758
Accumulated depreciation	(6,284)	(5,169)
	2,497	3,247
Motor vehicles		
At management valuation 1 July 2000	-	112
At cost	3,658	3,317
Accumulated depreciation	(570)	(520)
	3,088	2,909
Furniture and fittings		
At management valuation 1 July 2000	905	951
At cost	724	508
Accumulated depreciation	(511)	(413)
	1,118	1,046
Infrastructure system		
Navigational aids		
At management valuation 1 July 2000	3,625	3,919
At cost	3,967	3,066
Accumulated depreciation	(1,984)	(1,691)
	5,608	5,294
Wharves and jetties		
At management valuation 1 July 2000	-	22,516
At cost	-	48,808
Accumulated depreciation	-	(6,933)
At Management valuation 1 July 2005	67,068	-
	67,068	64,391
Moorings		
At management valuation 1 July 2000	2,037	2,037
Accumulated depreciation	(2)	(1)
	2,035	2,036
Roadways		
At management valuation 1 July 2000	290	290
At cost	6,106	6,106
Accumulated depreciation	(1,164)	(844)
	5,232	5,552
Dredging		
At management valuation 1 July 2000	-	140,745
At management valuation 1 July 2000	143,471	-

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to and forming part of the Financial Statements for the year ended 30 June 2005

24. PROPERTY, PLANT AND EQUIPMENT (CONT)

	2005 \$000	2004 \$000
Seawalls		
At management valuation 1 July 2000	-	5,800
At cost	-	-
Accumulated depreciation		(907)
At management valuation 1 July 2005	24,445	-
	24,445	4,893
Wetlands		
At management valuation 1 July 2000	-	17,982
At management valuation 30 June 2002	-	1,248
At cost	-	30
At management valuation 1 July 2005	79,024	-
	79,024	19,260
Total property plant and equipment		
At management valuation 1 July 2000	16,112	204,381
At independent valuation 1 July 2000	-	178,578
At management valuation 30 June 2002	-	5,848
At independent valuation 1 July 2005	193,050	-
At management valuation 1 July 2005	382,698	-
At cost	27,201	100,256
Accumulated depreciation	(16,421)	(33,581)
	602,640	455,482
Construction in progress		
Buildings – at cost	1,104	519
Plant and equipment – at cost	518	376
Infrastructure – at cost	8,878	2,514
	10,500	3,049
Reconciliations		
Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.		
Land and buildings		
Land		
Opening balance	63,837	64,011
Add: acquisitions	-	11
Add: revaluation increment	46,268	-
Less: disposals	(300)	(185)
	109,805	63,837

24. PROPERTY, PLANT AND EQUIPMENT (CONT)

	2005 \$000	2004 \$000
Buildings		
Opening balance	135,002	138,493
Add: acquisitions	9	-
Add: revaluation increment	20,591	-
Less: disposals	(179)	-
Less: depreciation	(3,488)	(3,491)
	151,935	135,002
Plant and equipment		
Plant		
Opening balance	7,270	7,089
Add: acquisitions	2,008	2,160
Less: disposals	(116)	(303)
Less: depreciation	(1,848)	(1,676)
	7,314	7,270
Computer hardware and software		
Opening balance	3,247	3,891
Add: acquisitions	765	1,034
Less: disposals	(53)	(82)
Less: depreciation	(1,462)	(1,596)
	2,497	3,247
Motor vehicles		
Opening balance	2,909	2,899
Add: acquisitions	1,325	1,104
Less: disposals	(786)	(761)
Less: depreciation	(360)	(333)
	3,088	2,909
Furniture and fittings		
Opening balance	1,046	1,066
Add: acquisitions	191	88
Less: disposals	(3)	-
Less: depreciation	(116)	(108)
	1,118	1,046
Infrastructure system		
Navigational aids		
Opening balance	5,294	5,108
Add: acquisitions	744	553
Less: disposals	(31)	(13)
Less: depreciation	(399)	(354)
	5,608	5,294

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24. PROPERTY, PLANT AND EQUIPMENT (CONT)

	2005 \$000	2004 \$000
Wharves and jetties		
Opening balance	64,391	48,319
Add: acquisitions	-	18,236
Add: revaluation increment	5,510	-
Less: depreciation	(2,833)	(2,164)
	67,068	64,391
Moorings		
Opening balance	2,036	2,036
Less: depreciation	(1)	-
	2,035	2,036
Roadways		
Opening balance	5,552	5,872
Less: depreciation	(320)	(320)
	5,232	5,552
Dredging		
Opening balance	140,745	140,745
Add: revaluation increment	2,726	-
	143,471	140,745
Seawalls		
Opening balance	4,893	5,120
Add: acquisitions:	2,909	-
Add: revaluation increment	16,879	-
Less: depreciation	(236)	(227)
	24,445	4,893
Wetlands		
Opening balance	19,260	19,279
Add: revaluation increment	59,792	-
Less: disposals	(28)	(19)
	79,024	19,260
Total property plant and equipment		
Opening balance	455,482	443,928
Add: acquisitions	7,951	23,186
Add: revaluation increment	151,766	-
Less: disposals	(1,496)	(1,363)
Less: depreciation	(11,063)	(10,269)
	602,640	455,482

24. PROPERTY, PLANT AND EQUIPMENT (CONT)

	2005 \$000	2004 \$000
Movement in construction in progress		
Opening balance	3,049	16,232
Add: acquisitions	15,402	10,003
Less: to property, plant and equipment	(7,951)	(23,186)
Closing balance	10,500	3,049

Schedule of fully depreciated assets

Asset description	Number of assets	Number of assets
Computer hardware and software, furniture and fittings, navigational aids and plant	672	490

Stocktake

An asset stocktake of all items on the Fixed Asset Register was undertaken during 2004–05. 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.

All physical non-current assets were revalued as at 1 July 2005 and incorporated into the financial statements at 30 June 2005. Independent valuers of land and buildings were:

Maritime Trade Towers Lease: Preston Rowe Paterson NSW Pty Ltd
 Rozelle Bay Maritime Precinct: Urbis JHD Valuations Pty Ltd
 Homebush Bay Land: Urbis JHD Valuations Pty Ltd
 Rozelle Bay Office: LandMark White (NSW) Pty Ltd
 South Head Signal Station: Widnell Quantity Surveyors
 Newcastle land: State Valuation Office
 Port Kembla land: State Valuation Office

Other physical non-current assets were valued by NSW Maritime 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 NSW Maritime is considered a not-for-profit entity and the service potential of NSW Maritime 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.

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	Note	2005 \$000	2004 \$000
25. PAYABLES			
Current			
Trade creditors		3,914	3,034
Customer advances		7,811	-
Priority list on moorings		423	411
Wetland lease security deposits	(a)	36,228	34,383
Other creditors and accruals		3,850	5,305
Unspent Consolidated Fund appropriations		-	-
Walsh Bay (refer note 11)		-	4,095
Eden (refer note 11)		2,984	3,056
Rent in advance		-	1,671
Boating fees in advance	(b)	21,872	20,840
Maritime Trade Tower lease	(c)	2,214	2,338
		79,296	75,133
Non-current			
Boating fees in advance	(b)	7,586	8,311
Maritime Trade Tower lease	(c)	12,535	14,750
		20,391	23,061

(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 NSW Maritime 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.

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

	Note	2005 \$000	2004 \$000
26. PROVISIONS			
Current			
Annual leave	(a)	2,241	2,269
Long service leave	(b)	515	500
Superannuation - SASS (refer note 21)		1,208	1,041
Superannuation - SANCS (refer note 21)		2,160	1,999
Payroll tax provision for long service leave		31	-
Provision for workers' compensation	(c)	626	540
Provision for distribution (refer note 27)		12,620	9,000
		19,401	15,349

26. PROVISIONS (CONT)

	Note	2005 \$000	2004 \$000
Non-current			
Long service leave	(b)	6,852	6,635
Payroll tax provision on long service leave		411	-
Provision for workers' compensation	(c)	4,593	4,323
		11,856	10,958

Movement in annual & long service leave provision

	Balance 1 Jul 04 \$000	Charges to revenue \$000	Less payments \$000	Balance 30 Jun 05 \$000
Annual leave	2,269	1,661	(1,689)	2,241
Long service leave – current	500	498	(483)	515
Long service leave – non-current	6,635	217	-	6,852

(a) The liability for annual leave is calculated as at 1 July 2005 wage rates and has been fully provided.

(b) The liability for long service leave has been calculated as at 1 July 2005 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 \$3.200M for dust diseases (2004: \$2.723M) of which \$256K (2004: \$150K) 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.

The Treasury Managed Fund (TMF) normally calculates hindsight premiums each year. In 2004/05 NSW Maritime received a refund for the 1998/99 final workers compensation hindsight adjustment and made a payment for the 2000/2001 interim workers' compensation hindsight adjustment.

	2005 \$000	2004 \$000
27. MOVEMENT IN ACCUMULATED FUNDS AND RESERVES		
(a) Accumulated funds		
Accumulated funds at 1 July	405,740	390,993
Surplus for the period	59,909	23,747
Distribution provided for	(12,620)	(9,000)
Accumulated funds at 30 June	453,029	405,740
(b) Revaluation reserve		
Revaluation reserve at 1 July	72,305	72,305
Reversal of previous revaluation increment	(1,441)	-
Revaluation increment	117,389	-
Asset revaluation reserve at 30 June	188,253	72,305

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	2005 \$000	2004 \$000
28. COMMITMENTS FOR EXPENDITURES		
(a) Capital commitments		
Aggregate capital expenditures contracted for at balance date and not provided:		
Not later than one year	1,197	5,516
Later than one year and not later than 5 years*	539	-
Total Including GST	1,736	5,516
(b) Operating expenditure commitments (excluding lease commitments)		
Not later than one year	3,049	12,388
Later than one year and not later than 5 years*	9,962	6,743
Total Including GST	13,011	19,131

* There were no expenditure commitments later than 5 years

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 NSW Maritime on dissolution of the MMHC on 29 June 2000. The project commenced in 1997-98 and will conclude in 2007-08.

(c) Operating lease commitments

Not later than one year	390	428
Later than one year and not later than 5 years	813	752
Later than 5 years	265	361
Total Including GST	1,468	1,541

(d) National Marine Safety Committee (NMSC)

Commitments in relation to operating expenditure of the NMSC are as follows:

Not later than one year	572	292
Later than one year and not later than 5 years*	1,144	376
Total Including GST	1,716	668

The National Marine Safety Committee Incorporated (NMSC) is an incorporated association established to achieve uniform marine safety legislation and practices throughout Australia. Funding of the NMSC's activities comes from contributions from participating jurisdictions. NSW Maritime represents New South Wales.

(e) NSW Maritime Asset Development and Management

Program (WADAMP)

Not later than one year	1,588	1,226
Later than one year and not later than 5 years*	1,650	1,304
Total Including GST	3,238	2,530

* There were no expenditure commitments later than 5 years

(f) Volunteer Marine Rescue Council of New South Wales

NSW Maritime entered into a conditional agreement to provide \$740,300 (2004: \$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 \$1.924M (2004: \$2.734M) that are expected to be recoverable from the Australian Tax Office.

29. CONTINGENT LIABILITIES

Contingent Liabilities for unsettled claims subject to litigation as at 30 June 2005 are estimated to be \$8,686,000 (2004: \$3,000,000). If successful, these claims will be met by NSW Maritime's insurers. The contingent asset in relation to these claims is \$8,686,000 (2004: \$3,000,000).

30. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

(i) Interest rate risk

NSW Maritime exposure to interest rate risk, and the effective interest rates on financial instruments at 30 June 2005 are:

	Weighted Average Interest Rate Effective %	Floating Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Assets				
Cash	5.38%	69,556	-	69,556
Investments	4.79%	60,121	-	60,121
Receivables		-	13,860	13,860
Total financial assets		129,677	13,860	143,537
Liabilities				
Trade accounts payable		-	52,226	52,226
Total financial liabilities		-	52,226	52,226
Net financial assets (liabilities)		129,677	(38,366)	91,311
As at 30 June 2004:				
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

There was no exposure to interest rate risk for periods of 1 year or less, 1 to 5 years or over 5 years

(ii) Credit risk

All financial assets are unsecured. The carrying amounts of financial assets included in the Statement of Financial Position represent NSW Maritime's maximum exposure to credit risk in relation to these assets. Where NSW Maritime 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.

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	2005 \$000	2004 \$000
31. (A) RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET SURPLUS		
Net cash provided by (used in) operating activities	27,975	20,743
Depreciation and amortisation	(11,063)	(10,269)
Net gain/(loss) on asset disposal	(570)	(72)
Net revaluation increment credited to income	35,818	-
Changes in assets and liabilities		
Increase/(decrease) in current receivables	7,705	(3,359)
Increase/(decrease) in inventory	23	(1)
Increase/(decrease) in non current receivables	2,844	1,692
Decrease/(increase) in current payables	(4,163)	15,502
Decrease/(increase) in current provisions	(432)	(373)
Decrease/(increase) in non-current payables	2,670	733
Decrease/(increase) in non-current provisions	(898)	(849)
Net surplus	59,909	23,747
Non-cash investing activities		
There were no non-cash investing activities during the reporting period or the previous year.		
(b) Reconciliation of cash in the Statement of Financial Position to cash in the Statement of Cash Flows		
Cash on hand	45	47
Cash in bank	7,305	2,171
Investments – TCorp Hour-Glass cash facilities	62,206	69,625
Cash assets in the Statement of Financial Position	69,556	71,843
Investments – TCorp Hour-Glass bond market facility (refer note 22)	48,686	41,307
Investments – TCorp Hour-Glass medium term growth facility (refer note 22)	11,435	10,472
Cash in the Statement of cash flows	129,677	123,622

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.