

Financial Statements

for the year ended 30 June 2003

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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 2003 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).

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

Qualification

Note 26(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 2003 was \$17 million (2002: \$19 million). In my opinion a present obligation exists for the Authority to undertake this work, which should be recognised as a liability. If this liability had been recognised, current liabilities exclusive of GST would increase by \$9.1 million (\$10 million), non-current liabilities exclusive of GST by \$7.9 million (\$9 million), the net surplus would decrease by \$17 million (\$19 million) and accumulated funds would decrease by \$17 million (\$19 million).

My audit report for the year ended 30 June 2002 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 J Sendt
Auditor-General

SYDNEY
26 September 2003

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 2003 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*, *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.



Matthew Taylor

Chief Executive

24 September 2003

Financial Statements

Beginning of Audited Financial Statements

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$000	2002 \$000
Revenues from ordinary activities			
Port management	2	561	573
Channel fees	3	6,854	6,854
Drivers licences	4	12,905	12,160
Boat registrations	5	13,512	12,547
Moorings	6	6,050	5,978
Rentals	7	36,460	37,373
Commercial vessel charges	8	2,338	2,250
Other	9	3,491	13,093
Interest on investments	10	3,821	2,681
Capital appropriation	11	13,691	691
Grants and contributions	12	11,810	27,747
Total revenues from ordinary activities		111,493	121,947
Expenses from ordinary activities			
Employee related expenses	13	22,681	21,746
Superannuation expenses		5,821	5,289
Service contractors	14	11,814	15,692
Materials		1,050	965
Utilities and communications		2,214	2,572
Administration	15	8,312	8,128
Depreciation		9,243	8,703
Grants and subsidies		1,328	1,240
Waterways Asset Development and Management Program		1,001	1,087
Financial expenses	16	83	85
Interest – Maritime Trade Tower		11,827	10,736
Audit fees – audit of the financial report		122	90
Loss on disposal of assets	17	367	240
Total expenses from ordinary activities		75,863	76,573
Net surplus		35,630	45,374
Revenues, expenses and valuation adjustments recognised directly in equity			
Net increase in asset revaluation reserve		0	5,848
Total changes in equity other than those resulting from transactions with Government as owners		35,630	51,222

The accompanying notes form part of these financial statements

Statement of Financial Position as at 30 June 2003

	Note	2003 \$000	2002 \$000
Current assets			
Cash assets	29	111,153	54,930
Receivables	19	8,243	5,774
Inventory	20	55	43
Other financial assets	21	4,629	4,351
Total current assets		124,080	65,098
Non-current assets			
Receivables	19	15,722	21,456
Property, plant and equipment	22	460,160	447,566
Total non-current assets		475,882	469,022
Total assets		599,962	534,120
Current liabilities			
Payables	23	90,529	39,210
Provisions	24	12,232	14,264
Total current liabilities		102,761	53,474
Non-current liabilities			
Payables	23	23,794	26,345
Provisions	24	10,109	9,475
Total non-current liabilities		33,903	35,820
Total liabilities		136,664	89,294
Net assets		463,298	444,826
Equity			
Accumulated funds	25(a)	390,993	372,521
Asset revaluation reserve	25(b)	72,305	72,305
Total equity		463,298	444,826

The accompanying notes form part of these financial statements

Statement of Cash Flows for the year ended 30 June 2003

	2003	2002
Note	<u>\$000</u>	<u>\$000</u>
Cash flows from operating activities		
Receipts		
Operating receipts	88,790	80,314
Wetland lease security deposits	23(a) 32,407	–
Interest received	3,389	2,681
Grants and contributions:		
King Street Wharf development	6,176	27,110
Walsh Bay development	5,000	–
Other	634	637
Net GST received	93	607
Total receipts	136,489	111,349
Payments		
Operating payments	(43,922)	(53,960)
Interest paid	(11,827)	(10,688)
Payments for Waterways Asset Development and Management Program	(1,001)	(1,087)
Total payments	(56,750)	(65,735)
Cash flows from government		
Capital appropriation:		
Walsh Bay development	13,419	(10)
Eden	3,000	701
Total cash flows from government	16,419	691
Net cash inflows from operating activities	29 96,158	46,305
Cash flows from investing activities		
Payments for property, plant and equipment	(22,383)	(7,996)
Proceeds from sale of property, plant and equipment	2,884	16,676
Net cash outflows used in investing activities	(19,499)	8,680
Cash flows from financing activities		
Distributions paid:		
Operating	(9,000)	(3,000)
Property	(11,158)	(29,750)
Net cash outflows used in financing activities	(20,158)	(32,750)
Net increase in cash held	56,501	22,235
Cash at the beginning of the year	59,281	37,046
Cash at the end of the year	29 115,782	59,281

The accompanying notes form part of these financial statements

Notes to and forming part of the financial statements for the year ended 30 June 2003

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.

Notes to and forming part of the financial statements for the year ended 30 June 2003

1 Summary of significant accounting policies (continued)

(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 2003 financial year:

	Rates %		Rates %
Buildings	2 – 5	Computer – software	20 – 50
Plant & equipment		Motor vehicles	10 – 15
Plant – communications	20 – 40	Furniture and fittings	7.5 – 20
Plant – mobile	5 – 20	Infrastructure	
Plant – outboard engines	50	Moorings	0 – 5
Plant – vessels	5 – 20	Navigational aids	5 – 20
Plant – other	5 – 20	Roadways	5
Computer – hardware	20 – 50	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.

Notes to and forming part of the financial statements for the year ended 30 June 2003

1 Summary of significant accounting policies (continued)

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 2002–2003: 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.

Notes to and forming part of the financial statements for the year ended 30 June 2003

	2003	2002
	\$000	\$000
2 Port management		
Wharfage	24	21
Site occupation charges	32	34
Ship utility charges	3	3
Navigation services	391	399
Pilotage	111	116
	<u>561</u>	<u>573</u>
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
	<u>6,854</u>	<u>6,854</u>
4 Drivers licences		
One year licence	1,877	1,796
Three year licence	10,425	9,704
Licence test	603	660
	<u>12,905</u>	<u>12,160</u>
5 Boat registrations		
Initial	904	781
Renewal	12,145	11,324
Transfer charges	463	442
	<u>13,512</u>	<u>12,547</u>
6 Moorings		
Private	4,189	4,135
Commercial	1,289	1,318
Inspection fees	143	23
Superyacht charges	429	502
	<u>6,050</u>	<u>5,978</u>
7 Rentals		
Land	4,420	4,815
Maritime Trade Tower – building	10,537	10,032
Maritime Trade Tower – land	11,543	10,502
Commercial	7,268	9,161
Private	2,176	2,177
Government	378	462
Waterways property	138	224
	<u>36,460</u>	<u>37,373</u>

Notes to and forming part of the financial statements for the year ended 30 June 2003

	2003	2002
	\$000	\$000
8 Commercial vessel charges		
Survey fees	1,401	1,302
Registration fees	612	639
Examinations	168	189
Other	157	120
	2,338	2,250
9 Other income		
Other boating fees	751	691
Miscellaneous services	1,937	3,253
Assets provided by developer (King Street Wharf)	630	7,194
Profit on disposal of assets (a)	173	1,955
	3,491	13,093
(a) Proceeds from sale of property, plant and equipment	643	13,804
Cost of disposal	846	11,985
Less: Accumulated depreciation (376) (136)		
Written down value of assets sold	470	11,849
Gain on disposal of property, plant and equipment	173	1,955
10 Interest on investments		
Bank and other interest	278	288
TCorp Hour-Glass investment facility	3,543	2,393
	3,821	2,681
11 Appropriation		
Capital appropriation		
Walsh Bay wharves redevelopment (a)	12,700	(10)
Development of Port of Eden (b)	991	701
	13,691	691

(a) The total 2002 – 2003 appropriation of \$13.419M (\$6.279M in 2001 – 2002) was drawn down during the year. At 30 June 2003, prior appropriations of \$7.008M (\$6.289M at 30 June 2002) are unspent and are accounted for as liabilities. The amount was derived as follows:

	2003	2002
	\$000	\$000
Unspent appropriations 1 July 2002	6,289	–
2002/2003 appropriations	13,419	6,279
Less: 2002/2003 expenditure	(12,700)	10
Unspent appropriations 30 June 2003	7,008	6,289

Notes to and forming part of the financial statements for the year ended 30 June 2003

11 Appropriation (continued)

(b) The total 2002–2003 appropriation of \$3.000M (\$2.000M in 2001–2002) was drawn down during the year. At 30 June 2003, prior appropriations of \$3.308M (\$1.299M at 30 June 2002) are unspent and are accounted for as liabilities. The amount was derived as follows:

	2003 \$000	2002 \$000
Unspent appropriations 1 July 2002	1,299	–
2002/2003 appropriations	3,000	2,000
Less: 2002/2003 expenditure	(991)	(701)
Unspent appropriations 30 June 2003	3,308	1,299

	2003 \$000	2002 \$000
12 Grants and contributions		
King Street Wharf development	6,176	27,110
Walsh Bay wharves redevelopment	5,000	–
Upgrade of Marine Safety Radio Service	–	446
Stockton Ferry Wharf, Newcastle	594	–
Employee Self Service payroll and leave entitlement software	40	191
	11,810	27,747
13 Employee related expenses		
Ordinary time	16,180	15,912
Long service leave	1,054	796
Recreation leave	1,540	1,365
Payroll tax and fringe benefits tax	1,411	1,467
Overtime	325	352
Sick leave	298	322
Voluntary separation payments	40	49
Other employee benefits	799	589
External labour	1,034	894
	22,681	21,746
14 Service contractors		
Contractors	4,951	9,564
Maintenance agreements	3,234	3,063
Wharf maintenance	2,179	1,639
Navigational aids maintenance	1,425	1,395
Other	25	31
	11,814	15,692

Notes to and forming part of the financial statements for the year ended 30 June 2003

	2003 \$000	2002 \$000
15 Administration		
Advertising	451	603
Collection fees	363	327
Printing	730	677
Rent	713	677
Training	325	337
Stationery and office supplies	255	229
Insurance	611	559
Travel	597	576
Motor vehicle and vessel expenses	604	501
Other	3,663	3,642
	8,312	8,128
16 Financial expenses		
Financial institutions duty	–	7
Federal debit tax	–	3
Transactions and account keeping fees	83	75
	83	85
17 Loss on disposal of assets		
Proceeds from sale of property, plant and equipment	337	382
Cost of disposal	1,139	909
Less: accumulated depreciation	(435)	(287)
Written down value of assets sold	704	622
Loss on disposal of property, plant and equipment	(367)	(240)
18 Significant items		
Profit from ordinary activities includes the following expenses whose disclosure is relevant in explaining the financial performance of Waterways:		
Superannuation funding – expense (a)	3,786	3,317
Assets provided by developer (King Street Wharf) (b)	630	7,194

(a) Superannuation was reassessed by Pillar Administration (formerly known as the Superannuation Administration Authority). The assessment resulted in a funding deficit of \$3,786,263 in 2002–2003 (\$3,316,814 in 2001–2002). 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.

Notes to and forming part of the financial statements for the year ended 30 June 2003

	2003	2002
	\$000	\$000
19 Receivables		
Current		
Trade debtors	486	490
Rental debtors	1,566	1,376
Payments in advance	177	136
Accrued income	1,288	970
Land sale receivables (a)	1,810	1,902
Net GST receivable	2,102	546
Other	1,031	538
Less: provision for doubtful debts	(217)	(184)
	8,243	5,774
Non-current		
Land sale receivable (a)	12,814	14,624
Prepaid superannuation (b)	2,908	5,852
Long-term lease rental	–	980
	15,722	21,456

(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:

Categories	2003	2002
Boating industries	30%	21%
Government authorities	32%	32%
Other business	38%	47%
	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.

Notes to and forming part of the financial statements for the year ended 30 June 2003

19 Receivables (continued)

(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:

	Total liability	Funding	Prepaid	Liability
	2003	2003	2003	2003
	\$000	\$000	\$000	\$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
	Total liability	Funding	Prepaid	Liability
	2002	2002	2002	2002
	\$000	\$000	\$000	\$000
State Superannuation Scheme	18,928	24,780	5,852	–
State Authorities Non-Contributory Scheme	2,502	747	–	1,755
State Authorities Superannuation Scheme	5,955	5,355	–	600
	27,385	30,882	5,852	2,355

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 2002 valuation has confirmed the the interest rate of 7% per annum should remain unchanged for the 2003 employer liability calculation. The assessment was prepared on 10 July 2003. The assumptions that were applied for the 2003 calculation are:

	2003–2004	2004–2005	2005–2006	
	%	%	%	
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	
				2003
				\$000
				2002
				\$000

20 Inventories

Current

Consumable – fuel (at average cost)	55	43
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Notes to and forming part of the financial statements for the year ended 30 June 2003

	2003	2002
	\$000	\$000
21 Other financial assets		
Current		
TCorp Hour-Glass investment facilities (refer note 29) (a)	4,629	4,351
(a) The amount comprises:		
Bond market facility	2,776	2,580
Medium term growth facility	1,853	1,771
	4,629	4,351
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.		
22 Property, plant and equipment		
Property, plant and equipment (at cost or valuation)	468,216	448,282
Accumulated depreciation	(24,288)	(15,855)
	443,928	432,427
Construction in progress	16,232	15,139
	460,160	447,566
Land and buildings		
Land		
At independent valuation 1 July 2000	59,549	59,549
At management valuation 30 June 2002	2,000	2,000
At cost	2,462	682
	64,011	62,231
Buildings		
At independent valuation 1 July 2000	119,213	119,413
At management valuation 30 June 2002	2,600	2,600
At cost	25,718	19,407
Accumulated depreciation	(9,038)	(5,769)
	138,493	135,651

Notes to and forming part of the financial statements for the year ended 30 June 2003

22 Property, plant and equipment (continued)

	2003	2002
	\$000	\$000
Plant and equipment		
Plant		
At management valuation 1 July 2000	5,963	6,177
At cost	4,460	3,115
Accumulated depreciation	(3,334)	(2,314)
	<u>7,089</u>	<u>6,978</u>
Computer hardware and software		
At management valuation 1 July 2000	4,865	4,996
At cost	2,838	1,629
Accumulated depreciation	(3,812)	(2,520)
	<u>3,891</u>	<u>4,105</u>
Motor vehicles		
At management valuation 1 July 2000	188	537
At cost	3,133	2,297
Accumulated depreciation	(422)	(288)
	<u>2,899</u>	<u>2,546</u>
Furniture and fittings		
At management valuation 1 July 2000	956	981
At cost	415	313
Accumulated depreciation	(305)	(203)
	<u>1,066</u>	<u>1,091</u>
Infrastructure system		
Navigational aids		
At management valuation 1 July 2000	3,992	4,040
At cost	2,515	1,623
Accumulated depreciation	(1,399)	(1,112)
	<u>5,108</u>	<u>4,551</u>
Wharves and jetties		
At management valuation 1 July 2000	22,531	22,516
At cost	30,557	23,677
Accumulated depreciation	(4,769)	(2,918)
	<u>48,319</u>	<u>43,275</u>
Moorings		
At management valuation 1 July 2000	2,037	2,037
Accumulated depreciation	(1)	(1)
	<u>2,036</u>	<u>2,036</u>

Notes to and forming part of the financial statements for the year ended 30 June 2003

22 Property, plant and equipment (continued)

	2003 \$000	2002 \$000
Roadways		
At management valuation 1 July 2000	290	290
At cost	6,106	4,556
Accumulated depreciation	(524)	(276)
	<u>5,872</u>	<u>4,570</u>
Dredging		
At management valuation 1 July 2000	140,745	140,745
Seawalls		
At management valuation 1 July 2000	5,800	5,800
Accumulated depreciation	(680)	(453)
	<u>5,120</u>	<u>5,347</u>
Wetlands		
At management valuation 1 July 2000	18,001	18,053
At management valuation 30 June 2002	1,248	1,248
At cost	30	–
	<u>19,279</u>	<u>19,301</u>
Total property, plant and equipment		
At management valuation 1 July 2000	205,368	206,172
At independent valuation 1 July 2000	178,762	178,962
At management valuation 30 June 2002	5,848	5,848
At cost	78,234	57,299
Accumulated depreciation	(24,284)	(15,854)
	<u>443,928</u>	<u>432,427</u>
Construction in progress		
Buildings – at cost	3,699	7,813
Plant and equipment – at cost	392	621
Infrastructure – at cost	12,141	6,705
	<u>16,232</u>	<u>15,139</u>
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	62,231	71,581
Add: acquisitions	1,780	–
Add: net revaluation increment	–	2,000
Less: disposals	–	(11,350)
	<u>64,011</u>	<u>62,231</u>

Notes to and forming part of the financial statements for the year ended 30 June 2003

22 Property, plant and equipment (continued)

	2003 \$000	2002 \$000
Buildings		
Opening balance	135,651	136,226
Add: acquisitions	6,312	-
Add: net revaluation increment	-	2,600
Less: disposals	(188)	-
Less: depreciation	(3,282)	(3,175)
	138,493	135,651
Plant and equipment		
Plant		
Opening balance	6,978	6,917
Add: acquisitions	1,901	1,532
Less: disposals	(251)	(156)
Less: depreciation	(1,539)	(1,315)
	7,089	6,978
Computer hardware and software		
Opening balance	4,105	4,792
Add: acquisitions	1,248	677
Less: disposals	(68)	(84)
Less: depreciation	(1,394)	(1,280)
	3,891	4,105
Motor vehicles		
Opening balance	2,546	2,409
Add: acquisitions	1,229	1,220
Less: disposals	(576)	(805)
Less: depreciation	(300)	(278)
	2,899	2,546
Furniture and fittings		
Opening balance	1,091	1,061
Add: acquisitions	78	135
Less: disposals	-	(11)
Less: depreciation	(103)	(94)
	1,066	1,091
Infrastructure system		
Navigational aids		
Opening balance	4,551	4,204
Add: acquisitions	897	630
Less: disposals	(41)	(16)
Less: depreciation	(299)	(267)
	5,108	4,551

Notes to and forming part of the financial statements for the year ended 30 June 2003

22 Property, plant and equipment (continued)

	2003 \$000	2002 \$000
Wharves and jetties		
Opening balance	43,273	45,038
Add: acquisitions	6,895	62
Less: disposals	–	(2)
Less: depreciation	(1,851)	(1,825)
	48,317	43,273
Moorings		
Opening balance	2,036	2,037
Less: depreciation	–	(1)
	2,036	2,036
Roadways		
Opening balance	4,570	4,812
Add: acquisitions	1,550	–
Less: depreciation	(248)	(242)
	5,872	4,570
Dredging		
Opening balance	140,745	140,745
Seawalls		
Opening balance	5,347	5,573
Less: depreciation	(227)	(226)
	5,120	5,347
Wetlands		
Opening balance	19,303	18,102
Add: acquisitions	30	–
Add: net revaluation increment	–	1,248
Less: disposals	(52)	(47)
	19,281	19,303
Total property, plant and equipment		
Opening balance	432,427	443,497
Add: acquisitions	21,920	4,256
Add: net revaluation increment	–	5,848
Less: disposals	(1,176)	(12,471)
Less: depreciation	(9,243)	(8,703)
	443,928	432,427

Notes to and forming part of the financial statements for the year ended 30 June 2003

22 Property, plant and equipment (continued)

	2003	2002
	<u>\$000</u>	<u>\$000</u>
Movement in construction in progress		
Opening balance	15,139	4,205
Add: acquisitions	22,383	7,996
Add: recognition of asset acquired (King Street Wharf)	630	7,194
	<u>38,152</u>	<u>19,395</u>
Less: to property, plant and equipment	<u>(21,920)</u>	<u>(4,256)</u>
Closing balance	16,232	15,139

Schedule of fully depreciated assets

Asset description	Number of <u>assets</u>	Number of <u>assets</u>
Wharves, jetties and seawalls	36	37
Buildings, roadways and wetlands	59	58
Computer hardware and software, furniture and fittings, navigational aids and plant	<u>434</u>	<u>444</u>
	<u>529</u>	<u>539</u>

Stocktake

An asset stocktake of all items on the Fixed Asset Register was undertaken during 2002–2003. 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 Practising 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.

Notes to and forming part of the financial statements for the year ended 30 June 2003

	2003	2002
	\$000	\$000
23 Payables		
Current		
Trade creditors	15,137	2,605
Priority list on moorings	372	348
Wetland lease security deposits (a)	32,586	566
Other	80	562
Accrued salaries and wages	464	410
Fringe benefits tax	45	45
Other creditors and accruals	7,224	4,388
Unspent Consolidated Fund appropriations	10,316	7,588
Rent in advance	2,512	1,730
Boating fees in advance (b)	19,323	18,360
Maritime Trade Tower lease (c)	2,470	2,608
	90,529	39,210
Non-current		
Boating fees in advance (b)	6,706	6,787
Maritime Trade Tower lease (c)	17,088	19,558
	23,794	26,345

(a) The 2003 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.

Notes to and forming part of the financial statements for the year ended 30 June 2003

		2003	2002
		\$000	\$000
24 Provisions			
Current			
Annual leave	(a)	2,227	2,085
Long service leave	(b)	265	234
Superannuation – SASS		1,327	600
Superannuation – SANCS		1,863	1,755
Provision for workers compensation	(c)	550	590
Provision for distribution		6,000	9,000
		12,232	14,264
Non-current			
Long service leave	(b)	6,369	5,615
Provision for workers compensation	(c)	3,740	3,860
		10,109	9,475

Movement in annual and long service leave provision

	Balance 1 Jul 02 \$000	Charges to revenue \$000	Less payments \$000	Balance 30 Jun 03 \$000
Annual leave	2,085	1,540	(1,398)	2,227
Long service leave – current	234	265	(234)	265
Long service leave – non-current	5,615	789	(35)	6,369

(a) The liability for annual leave is calculated at 1 July 2003 wage rates and has been fully provided.

(b) The liability for long service leave has been calculated at 1 July 2003 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 \$2.740M for dust diseases of which \$330K 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.

25 Movement in accumulated funds and reserves

	2003	2002
	\$000	\$000
(a) Accumulated funds		
Accumulated funds at 1 July	372,521	365,897
Surplus for the period	35,630	45,374
Distribution to the Consolidated Fund	(11,158)	(29,750)
Distribution provided for	(6,000)	(9,000)
Accumulated funds at 30 June	390,993	372,521
(b) Revaluation reserve		
Asset revaluation reserve at 1 July	72,305	66,457
Revaluation increment	–	5,848
Asset revaluation reserve at 30 June	72,305	72,305

Notes to and forming part of the financial statements for the year ended 30 June 2003

	2003 \$000	2002 \$000
26 Commitments for expenditures		
(a) Capital commitments		
Aggregate capital expenditures contracted for at balance date and not provided:		
Not later than one year	12,497	21,410
Later than one year and not later than 5 years	–	3,754
Later than 5 years	–	–
Total including GST	<u>12,497</u>	<u>25,164</u>
(b) Operating expenditure commitments (excluding lease commitments)		
Not later than one year	12,691	11,520
Later than one year and not later than 5 years	8,694	9,900
Later than 5 years	–	–
Total including GST	<u>21,385</u>	<u>21,420</u>
<p>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 1997–1998 and will conclude in 2007–2008.</p>		
(c) Operating lease commitments		
Not later than one year	414	306
Later than one year and not later than 5 years	848	767
Later than 5 years	395	544
Total including GST	<u>1,657</u>	<u>1,617</u>
(d) National Marine Safety Committee (NMSC)		
Commitments in relation to operating expenditure of the NMSC are as follows:		
Not later than one year	260	260
Later than one year and not later than 5 years	180	150
Later than 5 years	–	–
Total including GST	<u>440</u>	<u>410</u>

The National Marine Safety Committee (NMSC) is an intergovernmental committee established in 1997 to achieve uniform marine safety legislation and practices throughout Australia. Funding of the NMSC's activities comes from contributions from participating jurisdictions. Waterways, which represents New South Wales, agreed to contribute \$260,000 per year.

Notes to and forming part of the financial statements for the year ended 30 June 2003

26 Commitments for expenditures (continued)

(e) Waterways Asset Development and Management Program (WADAMP)

Not later than one year	1,255	956
Later than one year and not later than 5 years	690	511
Later than 5 years	-	-
Total including GST	1,945	1,467

The above totals include GST input tax credits of \$3.448M (2002: \$4.552M) that are expected to be recoverable from the Australian Tax Office.

(f) Volunteer Marine Rescue Council of New South Wales

Waterways entered into a conditional agreement to provide \$622,000 per year (CPI indexed) to the Volunteer Marine Rescue Council for distribution to volunteer marine rescue organisations.

27 Contingent liabilities

Contingent Liabilities for unsettled claims subject to litigation as at 30 June 2003 are estimated to be \$3,000,000 (2002: \$5,000,000)

28 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 2003 are:

	Weighted Average Effective Interest Rate %	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	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
As at 30 June 2002:							
Assets							
Cash	4.65%	54,930	-	-	-	-	54,930
Investments	7.56%	4,351	-	-	-	-	4,351
Receivables		-	-	-	-	19,476	19,476
Total financial assets		59,281	-	-	-	19,476	78,757
Liabilities							
Trade accounts payable		-	-	-	-	8,924	8,924
Total financial liabilities		-	-	-	-	8,924	8,924
Net financial assets/(liabilities)		59,281	-	-	-	10,552	69,833

Notes to and forming part of the financial statements for the year ended 30 June 2003

28 Additional financial instrument disclosure (continued)

(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.

	2003	2002
	\$000	\$000
29 (a) Reconciliation of net cash flows from operating activities to net surplus		
Net cash provided by/(used in) operating activities	96,158	46,305
Depreciation and amortisation	(9,243)	(8,703)
Net gain/(loss) on asset disposal	(194)	1,715
Non-cash assets provided by developer	630	7,194
Changes in assets and liabilities		
Increase/(decrease) in current receivables	2,561	297
Increase/(decrease) in inventory	12	(13)
Increase/(decrease) in non-current receivables	(4,759)	(3,124)
Decrease/(increase) in current payables	(51,265)	(567)
Decrease/(increase) in current provisions	(187)	15
Decrease/(increase) in non-current payables	2,551	2,468
Decrease/(increase) in non-current provisions	(634)	(213)
Net surplus	35,630	45,374

Non-cash investing activities

During the reporting period Waterways acquired property with a fair value of \$0.630M (2002: \$7.194M). This represents consideration for the grant of a 99 year lease at King Street Wharf. As part of the leasing arrangement Waterways has not paid any cash consideration for these assets and as such there is 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

Cash on hand	45	45
Cash in bank	506	723
Investments – TCorp Hour-Glass cash facilities	110,602	54,162
Cash assets in the Statement of Financial Position	111,153	54,930
Investments – TCorp Hour-Glass bond market facility (refer note 21)	2,776	2,580
Investments – TCorp Hour-Glass medium term growth facility (refer note 21)	1,853	1,771
Cash in the Statement of Cash Flows	115,782	59,281

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.