

# Financial statements

for the year ended 30 June 2002

## Contents

Independent Audit Report	40
Statement by Chief Executive	41
Statement of Financial Performance	42
Statement of Financial Position at 30 June 2002	43
Statement of Cash Flows	44
Notes to and forming part of the Financial Statements	45
Note 1	Summary of significant accounting policies
Note 2	Port management
Note 3	Channel fees
Note 4	Drivers licences
Note 5	Boat registrations
Note 6	Moorings
Note 7	Rentals
Note 8	Commercial vessel charges
Note 9	Other income
Note 10	Interest on investments
Note 11	Appropriation
Note 12	Grants and subsidies
Note 13	Employee related expenses
Note 14	Service contractors
Note 15	Administration
Note 16	Financial expenses
Note 17	Significant items
Note 18	Receivables
Note 19	Inventories
Note 20	Other financial assets
Note 21	Property, plant and equipment
Note 22	Payables
Note 23	Provisions
Note 24	Movement in accumulated funds and reserves
Note 25	Commitments for expenditures
Note 26	Contingent liabilities
Note 27	Additional financial instrument disclosure
Note 28	Reconciliation of cash
Note 29	Olympic expenditures



GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT WATERWAYS AUTHORITY

To Members of the New South Wales Parliament

### Scope

I have audited the accounts of the Waterways Authority for the year ended 30 June 2002. The Chief Executive is responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament based on my audit as required by the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Authority's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Qualification

Note 25(b) discloses 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 2002 was \$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 \$10 million, non-current liabilities exclusive of GST by \$9 million, the net profit would decrease by \$19 million and accumulated funds would decrease by \$19 million.

My audit report for the year ended 30 June 2001 was similarly qualified.

### Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph, the financial report of the Waterways Authority complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Authority as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in black ink, appearing to read 'R J Sendt'.

R J Sendt  
Auditor-General

SYDNEY  
24 September 2002

## Waterways Authority Financial Statements

for the year ended 30 June 2002

### Statement by Chief Executive

Pursuant to Section 41C(1B) and 1(C) 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 2002 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.



Matthew Taylor  
Chief Executive  
23 September 2002

## Beginning of Audited Financial Statements

**Statement of Financial Performance**  
**for the year ended 30 June 2002**

	Note	2002 \$000	2001 \$000
<b>Revenues from ordinary activities</b>			
Port management	2	573	603
Channel fees	3	6,854	6,551
Drivers licences	4	12,160	10,941
Boat registrations	5	12,547	11,274
Moorings	6	5,978	6,383
Rentals	7	37,373	37,483
Commercial vessel charges	8	2,250	2,104
Other	9	12,853	32,824
Interest on investments	10	2,681	2,518
Recurrent appropriation	11	–	4,172
Capital appropriation	11	691	669
Grant and subsidies	12	27,747	–
<b>Total revenues from ordinary activities</b>		<b>121,707</b>	<b>115,522</b>
<b>Expenses from ordinary activities</b>			
Employee related expenses	13	20,852	20,389
Superannuation expenses		5,289	8,888
Service contractors	14	16,586	15,865
Materials		965	1,432
Utilities and communications		2,572	2,657
Administration	15	9,368	13,213
Depreciation		8,703	7,733
Revaluation decrement		–	36,443
Waterways Asset Development and Management Program		1,087	889
Financial expenses	16	85	307
Interest – Maritime Trade Tower		10,736	9,699
Audit fees – audit of the financial report		90	168
<b>Total expenses from ordinary activities</b>		<b>76,333</b>	<b>117,683</b>
<b>Net surplus/(deficit)</b>		<b>45,374</b>	<b>(2,161)</b>
<b>Revenues, expenses and valuation adjustments recognised directly in equity</b>			
Net increase in asset revaluation reserve		5,848	66,457
<b>Total changes in equity other than those resulting from transactions with Government as owners</b>		<b>51,222</b>	<b>64,296</b>

*The accompanying notes form part of these financial statements*

**Statement of Financial Position**  
as at 30 June 2002

	Note	2002 \$000	2001 \$000
<b>Current assets</b>			
Cash assets	28	54,930	32,878
Receivables	18	5,774	5,574
Inventory	19	43	56
Other financial assets	20	4,351	4,168
<b>Total current assets</b>		<b>65,098</b>	42,676
<b>Non-current assets</b>			
Receivables	18	21,456	24,727
Property, plant and equipment	21	447,566	447,702
<b>Total non-current assets</b>		<b>469,022</b>	472,429
<b>Total assets</b>		<b>534,120</b>	515,105
<b>Current liabilities</b>			
Payables	22	41,110	38,297
Provisions	23	12,364	6,379
<b>Total current liabilities</b>		<b>53,474</b>	44,676
<b>Non-current liabilities</b>			
Payables	22	26,345	28,813
Provisions	23	9,475	9,262
<b>Total non-current liabilities</b>		<b>35,820</b>	38,075
<b>Total liabilities</b>		<b>89,294</b>	82,751
<b>Net assets</b>		<b>444,826</b>	432,354
<b>Equity</b>			
Accumulated funds	24(a)	372,521	365,897
Asset revaluation reserve	24(b)	72,305	66,457
<b>Total equity</b>		<b>444,826</b>	432,354

*The accompanying notes form part of these financial statements*

**Statement of Cash Flows**  
for the year ended 30 June 2002

	Note	2002 \$000	2001 \$000
<b>Cash flows from operating activities</b>			
Operating receipts		<b>80,314</b>	89,414
Operating payments		<b>(53,960)</b>	(63,845)
Interest received		<b>2,681</b>	2,518
Interest paid		<b>(10,688)</b>	(9,883)
Recurrent appropriation		–	4,172
Capital appropriation		<b>691</b>	669
Grants and subsidies		<b>27,747</b>	–
GST paid		<b>607</b>	(181)
Payments for Waterways Asset Development and Management Program		<b>(1,087)</b>	(889)
<b>Net cash inflows from operating activities</b>	28	<b>46,305</b>	21,975
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<b>(7,996)</b>	(8,454)
Proceeds from sale of property, plant and equipment		<b>16,676</b>	1,948
<b>Net cash outflows used in investing activities</b>		<b>8,680</b>	(6,506)
<b>Cash flows from financing activities</b>			
Distributions paid		<b>(32,750)</b>	(21,500)
<b>Net cash outflows used in financing activities</b>		<b>(32,750)</b>	(21,500)
<b>Net increase/(decrease) in cash held</b>			
Cash at the beginning of the year		<b>37,046</b>	43,077
<b>Cash at the end of the year</b>	28	<b>59,281</b>	37,046

*The accompanying notes form part of these financial statements*

## Notes to and forming part of the financial statements for the year ended 30 June 2002

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.

#### (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 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 accounts. 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 2002

### (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, moorings, channels, reclamations and wetland assets have been treated as non-depreciable. The following are depreciation rates used in the 2002 financial year:

	Rates %		Rates %
Buildings	2 - 5	Computer – software	20 - 50
Plant & equipment		Motor vehicles	10 - 15
Plant – communications	20 - 40	Furniture & fittings	7.5 - 20
Plant – mobile	5 - 20	Infrastructure	
Plant – outboard engines	50	Navigational aids	5 - 20
Plant – vessels	5 - 20	Roadways	5
Plant – other	5 - 20	Wharves & jetties	2.5 - 10
Computer – hardware	20 - 50	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, 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 2002

Unused 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 creditors

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 2001-2002: industrial special risks, public and marine liabilities, marine and collision liability, motor vehicle, personal accident and workers compensation.

(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 2002**

	<b>2002</b>	2001
	<b>\$000</b>	\$000
<b>2 Port management</b>		
Wharfage	21	27
Site occupation charges	34	36
Ship utility charges	3	4
Navigation services	399	417
Pilotage	116	119
	<b>573</b>	603
<b>3 Channel fees</b>		
Newcastle Port Corporation	2,764	2,602
Port Kembla Port Corporation	1,208	1,208
Sydney Ports Corporation	2,882	2,741
	<b>6,854</b>	6,551
<b>4 Drivers licences</b>		
One year licence	1,796	1,541
Three year licence	9,704	8,714
Licence test	660	686
	<b>12,160</b>	10,941
<b>5 Boat registrations</b>		
Initial	781	773
Renewal	11,324	10,101
Transfer charges	442	400
	<b>12,547</b>	11,274
<b>6 Moorings</b>		
Private	4,135	3,941
Commercial	1,318	1,235
Inspection fees	23	–
Superyacht charges	502	1,207
	<b>5,978</b>	6,383
<b>7 Rentals</b>		
Land	4,815	8,692
Maritime Trade Tower – building	10,032	9,243
Maritime Trade Tower – land	10,502	9,519
Commercial	9,161	5,835
Private	2,177	3,039
Marinas	–	302
Government	462	613
Waterways property	224	240
	<b>37,373</b>	37,483

**Notes to and forming part of the financial statements  
for the year ended 30 June 2002**

	<b>2002</b>	2001
	<b>\$000</b>	\$000
<b>8 Commercial vessel charges</b>		
Survey fees	<b>1,302</b>	1,251
Registration fees	<b>639</b>	596
Examinations	<b>189</b>	165
Other	<b>120</b>	92
	<b>2,250</b>	2,104
<b>9 Other income</b>		
Other boating fees	<b>691</b>	486
Miscellaneous services	<b>3,253</b>	1,547
Assets provided by developer (King Street Wharf)	<b>7,194</b>	30,275
Profit on disposal of assets (a)	<b>1,715</b>	516
	<b>12,853</b>	32,824
(a) Proceeds from sale of property, plant and equipment	<b>14,186</b>	959
Cost of disposal	<b>12,895</b>	2,460
Less: accumulated depreciation	<b>424</b>	1,312
Less: revaluation adjustments	-	705
Written down value of assets sold	<b>12,471</b>	443
Gain on disposal of property, plant and equipment	<b>1,715</b>	516
<b>10 Interest on investments</b>		
Bank and other interest	<b>288</b>	199
TCorp Hour-Glass facility	<b>2,393</b>	2,319
	<b>2,681</b>	2,518
<b>11 Appropriation</b>		
Recurrent appropriation		
Olympic related expenses	-	1,591
Waterways safety awareness	-	400
Sydney Ports Corporation Olympic related expenses	-	2,181
	-	4,172
Capital appropriation		
Olympic related capital expenditures	-	51
Walsh Bay wharves redevelopment (a)	<b>(10)</b>	618
Development of Port of Eden (b)	<b>701</b>	-
	<b>691</b>	669

## Notes to and forming part of the financial statements for the year ended 30 June 2002

(a) The total 2001/2002 appropriation of \$6.279M was drawdown during the year.  
At 30 June 2002, prior appropriations of \$6.289M are unspent and are accounted for as liabilities.

(b) The total 2001/2002 appropriation of \$2M was drawdown during the year.  
At 30 June 2002, prior appropriations of \$1.299M are unspent and are accounted for as liabilities.

	<b>2002</b>	2001
	<b>\$000</b>	\$000
<b>12 Grants and subsidies</b>		
Darling Harbour (King Street Wharf) development (a)	<b>27,110</b>	-
NSW marine radio communications network (new equipment)	<b>446</b>	-
Employee Self Service payroll and leave entitlement software	<b>191</b>	-
	<b>27,747</b>	-
<p>(a) Cash received from the developer during the current and previous years (in \$000s): 1998/99 \$514; 1999/2000 \$2,512; 2000/2001 \$4,152; 2001/2002 \$19,932 The amounts are distributed to NSW Treasury in the year of receipt.</p>		
<b>13 Employee related expenses</b>		
Ordinary time	<b>15,912</b>	14,949
Long service leave	<b>796</b>	794
Recreation leave	<b>1,365</b>	1,348
Payroll tax and fringe benefits tax	<b>1,467</b>	1,474
Overtime	<b>352</b>	822
Sick leave	<b>322</b>	354
Voluntary separation payments	<b>49</b>	34
Other employee benefits	<b>589</b>	614
	<b>20,852</b>	20,389
<b>14 Service contractors</b>		
External labour	<b>894</b>	846
Contractors	<b>9,564</b>	10,269
Maintenance agreements	<b>3,063</b>	2,386
Wharf maintenance	<b>1,639</b>	995
Navigational aids maintenance	<b>1,395</b>	1,322
Others	<b>31</b>	47
	<b>16,586</b>	15,865

**Notes to and forming part of the financial statements  
for the year ended 30 June 2002**

	<b>2002</b>	2001
	<b>\$000</b>	\$000
<b>15 Administration</b>		
Advertising	<b>603</b>	903
Collection fees	<b>327</b>	181
Printing	<b>677</b>	723
Rent	<b>677</b>	691
Training	<b>337</b>	247
Stationery and office supplies	<b>229</b>	237
Insurance	<b>559</b>	492
Travel	<b>576</b>	662
Motor vehicle and vessel expenses	<b>501</b>	522
Grants and subsidies	<b>1,240</b>	5,091
Other	<b>3,642</b>	3,464
	<b>9,368</b>	13,213
<b>16 Financial expenses</b>		
Financial institutions duty	<b>7</b>	73
Federal debit tax	<b>3</b>	9
Transactions and account keeping fees	<b>75</b>	225
	<b>85</b>	307
<b>17 Significant items</b>		
Profit from ordinary activities includes the following income and expenses whose disclosure is relevant in explaining the financial performance of Waterways:		
Superannuation funding – expense (a)	<b>3,317</b>	6,667
Assets provided by developer (King Street Wharf) (b)	<b>7,194</b>	30,275
Revaluation decrement (c)	–	36,443

(a) Superannuation was reassessed by Pillar Administration formerly known as the Superannuation Administration Authority. The assessment resulted in a funding deficit of \$3,316,814 in 2001-2002. The amount is considered to be significant due to its size in relation to the operating result.

Calculation of the 30 June 2002 superannuation position uses actuarial assumptions revised from assumptions used in previous years. This change has created significant movement in the accrued superannuation liability. Thus, the superannuation funding position has changed significantly from 30 June 2001.

(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.

(c) This amount represents the downward adjustment of asset values in certain asset classes following the revaluation of Waterways non-current assets.

**Notes to and forming part of the financial statements  
for the year ended 30 June 2002**

	<b>2002</b>	2001
	<b>\$000</b>	\$000
<b>18 Receivables</b>		
<b>Current</b>		
Trade debtors	<b>490</b>	399
Rental debtors	<b>1,376</b>	867
Payments in advance	<b>136</b>	184
Accrued income	<b>970</b>	1,385
Land sale receivable (a)	<b>1,902</b>	1,999
Net GST receivable	<b>546</b>	323
Other	<b>538</b>	546
Less: provision for doubtful debts	<b>(184)</b>	(129)
	<b>5,774</b>	5,574
<b>Non-current</b>		
Land sale receivable (a)	<b>14,624</b>	16,527
Prepaid superannuation (b)	<b>5,852</b>	6,730
Long-term lease rental	<b>980</b>	1,470
	<b>21,456</b>	24,727

**(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:

	<b>2002</b>	2001
<b>Categories</b>		
Boating industries	<b>21%</b>	1%
Government authorities	<b>32%</b>	16%
Other business	<b>47%</b>	83%
	<b>100%</b>	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 2002

(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:

	<b>Total liability</b>	<b>Funding</b>	<b>Prepaid</b>	<b>Liability</b>
	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
State Superannuation Scheme	<b>18,928</b>	<b>24,780</b>	<b>5,852</b>	–
State Authorities Non-Contributory Scheme	<b>2,502</b>	<b>747</b>	–	<b>1,755</b>
State Authorities Superannuation Scheme	<b>5,955</b>	<b>5,355</b>	–	<b>600</b>
	<b>27,385</b>	<b>30,882</b>	<b>5,852</b>	<b>2,355</b>
	Total liability	Funding	Prepaid	Liability
	2001	2001	2001	2001
	\$000	\$000	\$000	\$000
State Superannuation Scheme	17,445	23,751	6,306	–
State Authorities Non-Contributory Scheme	2,382	2,806	424	–
State Authorities Superannuation Scheme	5,437	5,328	–	109
	25,264	31,885	6,730	109

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 2001 valuation has confirmed that the interest rate of 7% per annum should remain unchanged for the 2002 employer liability calculation. The assessment was prepared on 10 July 2002. The assumptions that were applied for the 2002 calculation are:

	2002-2003	2003-2004	2004-2005
	%	%	%
Rate of investment return (after tax and investment related expenses)	7	7	7
Rate of general salary increase (inc. reclassification)	6.5	4	4
Rate of increase in CPI (Sydney, all groups)	2.5	2.5	2.5





**Notes to and forming part of the financial statements  
for the year ended 30 June 2002**

**21 Property, plant and equipment (continued)**

	2002	2001
	\$000	\$000
<b>Plant and equipment</b>		
Plant		
At management valuation 1 July 2000	6,177	6,242
At cost	3,115	1,819
Accumulated depreciation	(2,314)	(1,144)
	<b>6,978</b>	6,917
Computer hardware & software		
At management valuation 1 July 2000	4,996	5,231
At cost	1,629	906
Accumulated depreciation	(2,520)	(1,345)
	<b>4,105</b>	4,792
Motor vehicles		
At management valuation 1 July 2000	537	1,450
At cost	2,297	1,140
Accumulated depreciation	(288)	(181)
	<b>2,546</b>	2,409
Furniture & fittings		
At management valuation 1 July 2000	981	983
At cost	313	189
Accumulated depreciation	(203)	(111)
	<b>1,091</b>	1,061
<b>Infrastructure system</b>		
Navigational aids		
At management valuation 1 July 2000	4,040	4,055
At cost	1,623	994
Accumulated depreciation	(1,112)	(845)
	<b>4,551</b>	4,204
Wharves, jetties, breakwaters, channels, moorings & dredging		
At management valuation 1 July 2000	189,441	189,489
At management valuation 30 June 2002	1,248	-
At cost	28,233	28,172
Accumulated depreciation	(3,648)	(1,354)
	<b>215,274</b>	216,307

## Notes to and forming part of the financial statements for the year ended 30 June 2002

### 21 Property, plant and equipment (continued)

	2002 \$000	2001 \$000
<b>Total property, plant and equipment</b>		
At management valuation 1 July 2000	206,172	207,450
At independent valuation 1 July 2000	178,962	190,312
At management valuation 30 June 2002	5,848	–
At cost	57,299	53,309
Accumulated depreciation	(15,854)	(7,574)
	<b>432,427</b>	<b>443,497</b>
<b>Construction in progress</b>		
Buildings – at cost	7,813	1,056
Plant & equipment – at cost	621	80
Infrastructure – at cost	6,705	3,069
	<b>15,139</b>	<b>4,205</b>

#### Valuations

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.

#### 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	71,581	107,343
Add: acquisitions	–	683
Add: net revaluation increment/(decrement)	2,000	(36,445)
Less: disposals	(11,350)	–
	<b>62,231</b>	<b>71,581</b>

##### Buildings

Opening balance	136,226	86,260
Add: acquisitions	–	19,407
Add: net revaluation increment	2,600	33,169
Less: disposals	–	(15)
Less: depreciation	(3,175)	(2,595)
	<b>135,651</b>	<b>136,226</b>

**Notes to and forming part of the financial statements  
for the year ended 30 June 2002**

**21 Property, plant and equipment (continued)**

	2002 \$000	2001 \$000
<b>Plant and equipment</b>		
Plant		
Opening balance	6,917	6,019
Add: acquisitions	1,532	1,819
Add: net revaluation increment	–	437
Less: disposals	(156)	(131)
Less: depreciation	(1,315)	(1,227)
	<b>6,978</b>	6,917
Computer hardware & software		
Opening balance	4,792	3,363
Add: acquisitions	677	905
Add: net revaluation increment	–	1,911
Less: disposals	(84)	(22)
Less: depreciation	(1,280)	(1,365)
	<b>4,105</b>	4,792
Motor vehicles		
Opening balance	2,409	2,131
Add: acquisitions	1,220	1,139
Add: net revaluation increment	–	8
Less: disposals	(805)	(634)
Less: depreciation	(278)	(235)
	<b>2,546</b>	2,409
Furniture & fittings		
Opening balance	1,061	973
Add: acquisitions	135	189
Add: net revaluation increment	–	11
Less: disposals	(11)	(1)
Less: depreciation	(94)	(111)
	<b>1,091</b>	1,061
<b>Infrastructure system</b>		
Navigational aids		
Opening balance	4,204	3,997
Add: acquisitions	630	994
Add: net revaluation increment	–	58
Less: disposals	(16)	–
Less: depreciation	(267)	(845)
	<b>4,551</b>	4,204

## Notes to and forming part of the financial statements for the year ended 30 June 2002

### 21 Property, plant and equipment (continued)

	2002 \$000	2001 \$000
Wharves, jetties, breakwaters, channels, moorings & dredging		
Opening balance	216,307	158,624
Add: acquisitions	62	28,173
Add: net revaluation increment	1,248	30,865
Less: disposals	(49)	–
Less: depreciation	(2,294)	(1,355)
	<b>215,274</b>	216,307
<b>Total property, plant and equipment</b>		
Opening balance	443,497	368,710
Add: acquisitions	4,256	53,309
Add: net revaluation increment	5,848	30,014
Less: disposals	(12,471)	(803)
Less: depreciation	(8,703)	(7,733)
	<b>432,427</b>	443,497
<b>Movement in construction in progress</b>		
Opening balance	4,205	44,631
Add: acquisitions	7,996	12,883
Add: recognition of asset acquired (King Street Wharf)	7,194	–
	<b>19,395</b>	57,514
Less: to property, plant and equipment	(4,256)	(53,309)
Closing balance	<b>15,139</b>	4,205
<b>Schedule of fully depreciated assets</b>		
Asset description	<u>Number of assets</u>	
Wharves, jetties and seawalls	37	
Buildings, roadways and wetlands	58	
Computer hardware and software, furniture and fittings, navigational aids and plant	444	
	<u>539</u>	

An asset stocktake of all items on the Fixed Asset Register was undertaken during 2001-02. Records were adjusted for stocktake results.

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).

## Notes to and forming part of the financial statements for the year ended 30 June 2002

### 21 Property, plant and equipment (continued)

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.

	<b>2002</b>	2001
	<b>\$000</b>	\$000
<b>22 Payables</b>		
<b>Current</b>		
Trade creditors	<b>2,605</b>	2,102
Priority list on moorings	<b>348</b>	306
Wetland lease security deposits	<b>566</b>	192
Other	<b>562</b>	37
Other creditors and accruals	<b>4,388</b>	4,739
Unspent Consolidated Fund appropriations	<b>7,588</b>	–
Rent in advance	<b>1,730</b>	11,282
Boating fees in advance (a)	<b>18,360</b>	16,776
Maritime Trade Tower (b)	<b>2,608</b>	2,754
Superannuation – SASS	<b>600</b>	109
Superannuation – SANCS	<b>1,755</b>	–
	<b>41,110</b>	38,297
<b>Non-current</b>		
Boating fees in advance (a)	<b>6,787</b>	6,647
Maritime Trade Tower lease (b)	<b>19,558</b>	22,166
	<b>26,345</b>	28,813

(a) 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.

(b) Maritime Trade Tower represents the amounts owing on the purchase of the Maritime Trade Tower building at 207 Kent Street, Sydney, acquired in 1989 for a period of 96 years with payments made over the first 25 years. Tenure is secured by a lease.

## Notes to and forming part of the financial statements for the year ended 30 June 2002

### 22 Payables (continued)

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

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

		<b>2002</b>	2001
		<b>\$000</b>	\$000
<b>23 Provisions</b>			
<b>Current</b>			
Annual leave	(a)	<b>2,085</b>	2,045
Accrued salaries and wages		<b>410</b>	347
Long service leave	(b)	<b>234</b>	222
Fringe benefits tax		<b>45</b>	45
Provision for workers' compensation	(c)	<b>590</b>	720
Provision for dividend		<b>9,000</b>	3,000
		<b>12,364</b>	6,379
<b>Non-current</b>			
Long service leave	(b)	<b>5,615</b>	5,339
Provision for workers' compensation	(c)	<b>3,860</b>	3,923
		<b>9,475</b>	9,262

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

	Balance 1 Jul 01 \$000	Charges to revenue \$000	Less payments \$000	Balance 30 Jun 02 \$000
Annual leave	2,045	1,365	(1,325)	2,085
Long service leave – current	222	234	(222)	234
Long service leave – non-current	5,339	562	(286)	5,615

(a) The liability for annual leave is calculated as at 30 June 2002 wage rates and has been fully provided.

(b) The liability for long service leave has been calculated as at 30 June 2002 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 \$220K is current. This provision is for claims from former Maritime Services Board staff for dust related diseases that can be attributed to their service prior to 30 June 1995.

**Notes to and forming part of the financial statements  
for the year ended 30 June 2002**

	2002 \$000	2001 \$000
<b>24 Movement in accumulated funds and reserves</b>		
<b>(a) Accumulated funds</b>		
Accumulated funds at 1 July 2001	365,897	389,558
Surplus/(deficit) for the period	45,374	(2,161)
Distribution to the Consolidated Fund	(29,750)	(18,500)
Distribution provided for	(9,000)	(3,000)
Accumulated funds at 30 June 2002	372,521	365,897
<b>(b) Revaluation reserve</b>		
Asset revaluation reserve at 1 July 2001	66,457	-
Revaluation increment	5,848	66,457
Asset revaluation reserve at 30 June 2002	72,305	66,457
<b>25 Commitments for expenditures</b>		
<b>(a) Capital commitments</b>		
Aggregate capital expenditures contracted for at balance date and not provided:		
Not later than one year	21,410	3,077
Later than one year and not later than 5 years	3,754	-
Later than 5 years	-	-
Total Including GST	25,164	3,077
<b>(b) Operating expenditure commitments</b>		
Not later than one year	11,520	550
Later than one year and not later than 5 years	9,900	17,930
Later than 5 years	-	2,214
Total Including GST	21,420	20,694

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

**Notes to and forming part of the financial statements  
for the year ended 30 June 2002**

**25 Commitments for expenditures (continued)**

	<b>2002</b>	2001
	<b>\$000</b>	\$000
<b>(c) National Marine Safety Committee (NMSC)</b>		
Commitments in relation to operating expenditure of the NMSC are as follows:		
Not later than one year	<b>260</b>	260
Later than one year and not later than 5 years	<b>150</b>	148
Later than 5 years	-	-
Total including GST	<b>410</b>	408

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.

**(d) Waterways Asset Development and Management Program (WADAMP)**

Not later than one year	<b>956</b>	186
Later than one year and not later than 5 years	<b>511</b>	539
Later than 5 years	-	-
Total including GST	<b>1,467</b>	725

**Contingent asset**

The above totals include GST input tax credits of \$4.405M (2001: \$2.384M) that are expected to be recoverable from the Australian Tax Office.

**26 Contingent liabilities**

Contingent Liabilities for unsettled claims subject to litigation as at 30 June 2002 are estimated to be \$5,000,000 (2001: \$5,025,000).



## Notes to and forming part of the financial statements for the year ended 30 June 2002

### 27 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 2002 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
<b>Assets</b>							
Cash	4.65%	54,930	-	-	-	-	54,930
Investments	7.56%	4,351	-	-	-	-	4,351
Receivables		-	-	-	-	19,476	19,476
<b>Total financial assets</b>		<b>59,281</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,476</b>	<b>78,757</b>
<b>Liabilities</b>							
Trade accounts payable		-	-	-	-	8,469	8,469
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,469</b>	<b>8,469</b>
<b>Net financial assets/(liabilities)</b>		<b>59,281</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,007</b>	<b>70,288</b>
As at 30 June 2001:							
<b>Assets</b>							
Cash	5.93%	32,878	-	-	-	-	32,878
Investments	6.31%	4,168	-	-	-	-	4,168
Receivables		-	-	-	-	20,661	20,661
<b>Total financial assets</b>		<b>37,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,661</b>	<b>57,707</b>
<b>Liabilities</b>							
Trade accounts payable		-	-	-	-	7,376	7,376
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,376</b>	<b>7,376</b>
<b>Net financial assets/(liabilities)</b>		<b>37,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,285</b>	<b>50,331</b>

#### (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.

## Notes to and forming part of the financial statements for the year ended 30 June 2002

	2002 \$000	2001 \$000
<b>28 (a) Reconciliation of net cash flows from operating activities to net surplus/(deficit)</b>		
Net cash provided by (used in) operating activities	46,305	21,975
Depreciation and amortisation	(8,703)	(7,733)
Revaluation decrement	–	(36,443)
Net (gain)/loss on asset disposal	1,715	516
Non-cash assets provided by developer	7,194	30,275
Changes in assets and liabilities		
Increase/(decrease) in current receivables	297	(1,101)
Increase/(decrease) in inventory	(13)	(15)
Increase/(decrease) in non-current receivables	(3,124)	(8,736)
Decrease/(increase) in current payables	(567)	(2,429)
Decrease/(increase) in current provisions	15	110
Decrease/(increase) in non-current payables	2,468	1,282
Decrease/(increase) in non-current provisions	(213)	138
Net surplus/(deficit)	45,374	(2,161)

### Non-cash investing activities

During the reporting period Waterways acquired property with a fair value of \$7.194M (2001: \$4.429M). 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	42
Cash in bank	723	1,984
Investments – TCorp Hour-Glass cash facilities	54,162	30,852
Cash assets in the Statement of Financial Position	54,930	32,878
Investments – TCorp Hour-Glass bond market facility (refer Note 20)	2,580	2,444
TCorp Hour-Glass medium term growth facility (refer Note 20)	1,771	1,724
Cash in the Statement of Cash Flows	59,281	37,046

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 register. Investment are considered as cash equivalents as they are readily convertible to cash.

### 29 Olympic expenditures

Staff employed by Waterways on initiatives directly and specifically related to the Olympic Games:

Number of staff directly allocated to games activities (equivalent full-time staff)	–	150
Total employed staff costs	–	1,652

End of Audited Financial Statements