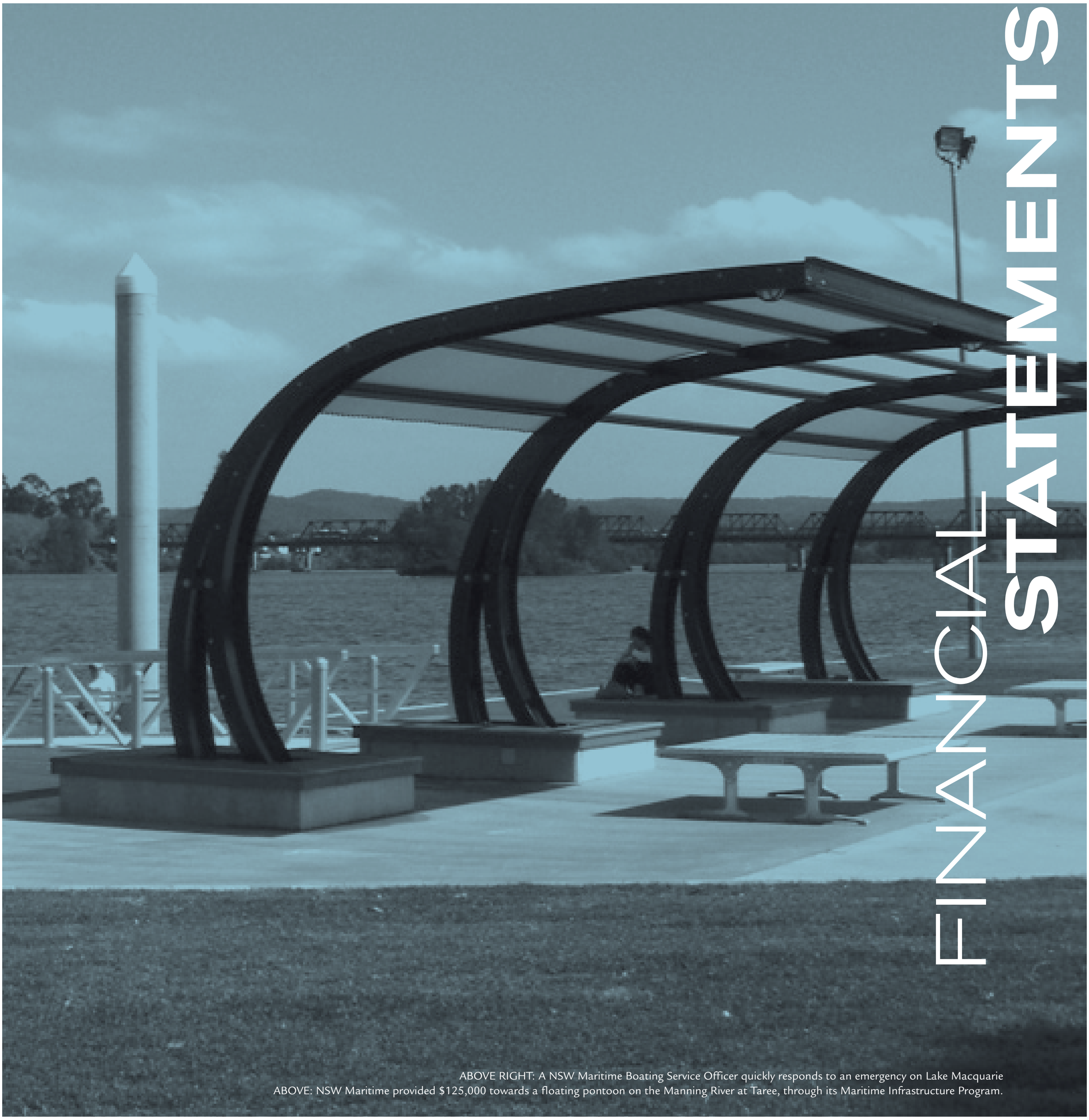
# FINANCIAL STATEMENTS



ABOVE RIGHT: A NSW Maritime Boating Service Officer quickly responds to an emergency on Lake Macquarie
ABOVE: NSW Maritime provided $125,000 towards a floating pontoon on the Manning River at Taree, through its Maritime Infrastructure Program.

THE FINANCIAL REPORT HAS BEEN PREPARED IN ACCORDANCE WITH AUSTRALIAN ACCOUNTING STANDARDS.

# INDEPENDENT AUDIT REPORT

GPO BOX 12
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

**Maritime Authority of NSW and controlled entities**

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Maritime Authority of NSW (the Authority), and the Authority and controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated entity comprises the Authority and the entities it controlled at the year's end or from time to time during the financial year.

***Auditor's Opinion***

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Authority and the consolidated entity as of 30 June 2007, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

***Chief Executive's Responsibility for the Financial Report***

The Chief Executive is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's Responsibility***

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## INDEPENDENT AUDIT REPORT

My opinion does *not* provide assurance:

- about the future viability of the Authority or Consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

***Independence***

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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.

James Sugumar
Acting Director, Financial Audit Services

17 October 2007
SYDNEY

## CHIEF EXECUTIVE'S STATEMENT

**MARITIME AUTHORITY OF NSW Financial Statements**

**For the year ended 30 June 2007**

**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 Division's financial position as at 30 June 2007 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 2005*, and the Treasurer's Directions.

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

Chris Oxenbould AO
**Chief Executive**

9 OCT 2007

# INCOME STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2007

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | $000 | $000 | $000 | $000 |
| Revenue | | | | | |
| Rendering of services: | | | | | |
| Port management | 2 | 1,104 | 1,007 | 1,104 | 1,007 |
| Channel fees | 3 | 7,098 | 6,854 | 7,098 | 6,854 |
| Drivers licences | 4 | 15,353 | 15,134 | 15,353 | 15,134 |
| Boat registrations | 5 | 17,345 | 16,378 | 17,345 | 16,378 |
| Moorings | 6 | 6,728 | 6,443 | 6,728 | 6,443 |
| Commercial vessel charges | 7 | 2,665 | 2,751 | 2,665 | 2,751 |
| Rental income: | | | | | |
| Rentals | 8 | 46,453 | 44,755 | 46,453 | 44,755 |
| Finance income: | | | | | |
| Interest on investments | 9 | 5,887 | 5,261 | 5,887 | 5,261 |
| Other income: | | | | | |
| Other | 10 | 9,466 | 20,994 | 6,816 | 17,989 |
| Capital appropriation | 11 | – | 2,984 | – | 2,984 |
| Grants and subsidies | 12 | 5,743 | 14,514 | 5,743 | 14,514 |
| **Total revenue** | | 117,842 | 137,075 | 115,192 | 134,070 |
| Expenses | | | | | |
| Employee related expenses | 13 | 31,082 | 28,009 | 31,421 | 25,512 |
| Superannuation expenses | 14 | 2,597 | 1,407 | – | 899 |
| Service contractors | 15 | 17,397 | 9,442 | 17,397 | 9,442 |
| Materials | | 1,202 | 1,090 | 1,202 | 1,090 |
| Utilities and communications | | 2,926 | 2,604 | 2,926 | 2,604 |
| Administration | 16 | 12,104 | 8,103 | 11,712 | 8,103 |
| Depreciation | | 7,857 | 7,334 | 7,857 | 7,334 |
| Grants and subsidies | 17 | 1,949 | 1,945 | 1,949 | 1,945 |
| Maritime Infrastructure Program | | 1,284 | 1,186 | 1,284 | 1,186 |
| Financial expenses | 18 | 16,920 | 15,558 | 16,920 | 15,558 |
| Audit fees – audit of the financial report | | 154 | 158 | 154 | 158 |
| Loss on disposal of assets | 19 | 153 | 634 | 153 | 634 |
| Assets written off or transferred | 19 | 4,590 | 220 | 4,590 | 220 |
| **Total expenses** | | 100,215 | 77,690 | 97,565 | 74,685 |
| **Surplus (deficit) for the year** | | 17,627 | 59,385 | 17,627 | 59,385 |

The accompanying notes form part of these financial statements

# BALANCE SHEET

## AS AT 30 JUNE 2007

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | $000 | $000 | $000 | $000 |
| ASSETS | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 21 | 116,930 | 133,879 | 116,536 | 133,879 |
| Trade and other receivables | 22 | 9,255 | 5,811 | 11,002 | 5,808 |
| Inventories | 23 | 196 | 130 | 196 | 130 |
| **Total current assets** | | 126,381 | 139,820 | 127,734 | 139,817 |
| **Non-current assets** | | | | | |
| Receivables | 24 | 13,064 | 11,948 | 6,421 | 7,899 |
| Property, plant and equipment | 25 | 499,634 | 488,296 | 499,634 | 488,296 |
| Investment properties | 26 | 130,000 | 130,000 | 130,000 | 130,000 |
| Intangibles | 27 | 451 | 466 | 451 | 466 |
| **Total non-current assets** | | 643,149 | 630,710 | 636,506 | 626,661 |
| **TOTAL ASSETS** | | 769,530 | 770,530 | 764,240 | 766,478 |
| LIABILITIES | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 28 | 65,404 | 69,717 | 75,496 | 80,650 |
| Maritime Trade Tower lease | 29 | 1,985 | 2,097 | 1,985 | 2,097 |
| Provisions | 30 | 35,957 | 29,403 | 24,015 | 18,241 |
| **Total current liabilities** | | 103,346 | 101,217 | 101,496 | 100,988 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 28 | 71,426 | 70,735 | 71,426 | 70,735 |
| Maritime Trade Tower lease | 29 | 8,453 | 10,439 | 8,453 | 10,439 |
| Provisions | 30 | 4,600 | 10,192 | 1,160 | 6,369 |
| **Total non-current liabilities** | | 84,479 | 91,366 | 81,039 | 87,543 |
| **TOTAL LIABILITIES** | | 187,825 | 192,583 | 182,535 | 188,531 |
| **NET ASSETS** | | 581,705 | 577,947 | 581,705 | 577,947 |
| EQUITY | | | | | |
| Accumulated funds | | 450,656 | 450,381 | 450,656 | 450,381 |
| Asset revaluation reserve | | 131,049 | 127,566 | 131,049 | 127,566 |
| **Total equity** | | 581,705 | 577,947 | 581,705 | 577,947 |

The accompanying notes form part of these financial statements

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2007

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | $000 | $000 | $000 | $000 |
| Cash flows from operating activities | | | | | |
| Receipts from customers | | 107,014 | 125,046 | 105,208 | 125,046 |
| Payments to suppliers and employees | | (82,837) | (87,210) | (81,425) | (87,210) |
| Interest paid | | (16,825) | (15,558) | (16,825) | (15,558) |
| Receipt of government grants | | 5,743 | 7,111 | 5,743 | 7,111 |
| Net GST received (paid) | | 2,580 | (655) | 2,580 | (655) |
| Payments for Maritime Infrastructure Program | | (1,284) | (1,186) | (1,284) | (1,186) |
| **Net cash flows from operating activities** | 21 | 14,391 | 27,548 | 13,997 | 27,548 |
| Cash flows from investing activities | | | | | |
| Proceeds from sale of property, plant and equipment | | 3,682 | 11,153 | 3,682 | 11,153 |
| Interest received | | 5,887 | 5,261 | 5,887 | 5,261 |
| Purchase of property, plant and equipment | | (24,122) | (13,620) | (24,122) | (13,620) |
| **Net cash flows used in investing activities** | | (14,553) | 2,794 | (14,553) | 2,794 |
| Cash flows from financing activities | | | | | |
| Distributions paid to Government | | (16,787) | (26,140) | (16,787) | (26,140) |
| **Net cash flows used in financing activities** | | (16,787) | (26,140) | (16,787) | (26,140) |
| Net increase in cash and cash equivalents | | (16,949) | 4,202 | (17,343) | 4,202 |
| Cash and cash equivalents at the beginning of the year | | 133,879 | 129,677 | 133,879 | 129,677 |
| **Cash and cash equivalents at the end of the year** | 21 | 116,930 | 133,879 | 116,536 | 133,879 |

The accompanying notes form part of these financial statements

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2007

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| Accumulated funds | | | | |
| Balance at 1 July | **450,381** | 420,561 | **450,381** | 420,561 |
| Surplus for the year | **17,627** | 59,385 | **17,627** | 59,385 |
| Distributions to Government | **(17,352)** | (26,705) | **(17,352)** | (26,705) |
| Transfer of assets to Sydney Harbour Foreshore Authority | – | (2,860) | – | (2,860) |
| Balance at 30 June | **450,656** | 450,381 | **450,656** | 450,381 |
| Asset revaluation reserve | | | | |
| Balance at 1 July | **127,566** | 127,566 | **127,566** | 127,566 |
| Revaluation increment | **3,483** | – | **3,483** | – |
| Balance at 30 June | **131,049** | 127,566 | **131,049** | 127,566 |
| Total equity | | | | |
| Balance at 1 July | **577,947** | 548,127 | **577,947** | 548,127 |
| Balance at 30 June | **581,705** | 577,947 | **581,705** | 577,947 |

*Nature and purpose of the asset revaluation reserve*

The asset revaluation reserve is used to record increments in the fair value of property, plant and equipment. Decrements may also be recorded to the extent that they offset increments.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

NSW Maritime was established as the Waterways Authority on 1 July 1995 under the then *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 preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions. The financial report has been prepared on the basis of full accrual accounting using historical cost conventions, except for non-current physical assets and investment properties which are shown at fair value, and superannuation which is shown at actuarially assessed present value.

The consolidated entity comprises the Maritime Authority and the Maritime Authority of NSW Division. Maritime Authority of NSW Division is a division of the Government Service, established pursuant to Parts 1 and 3 of Schedule 1 to *Public Sector Employment Legislation Amendment Act 2006*. Its sole objective is to provide personnel services to NSW Maritime.

The Maritime Authority of NSW Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of NSW Maritime. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing an amount receivable from NSW Maritime as the previous employer.

NSW Maritime and its controlled entity are not-for-profit entities as profit is not their principal objective. They are consolidated as part of the NSW Total State Sector Accounts.

In the process of preparing the consolidated financial statements for the economic entity consisting of NSW Maritime and the Maritime Authority of NSW Division, all inter-entity transactions and balances have been eliminated.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards. A statement of compliance with International Financial Reporting Standards (IFRS) cannot be made due to NSW Maritime applying the not-for-profit sector requirements contained in the Australian Equivalents to International Financial Reporting Standards (AEIFRS).

### (c) 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 balance sheet.

During the 2006-2007 financial year, NSW Maritime took control of eight wharves from the Ministry of Transport. Upon receipt, these wharves were revalued to fair value. A grant of $3M was received from the Ministry of Transport for future maintenance and capital work on those and other wharves yet to be transferred to NSW Maritime.

Under certain long-term lease agreements where development has been carried out by the private sector, NSW Maritime may take control of various wharf constructions after 99 years. Due to the length of time until control may be achieved, they are currently recorded at $1. In addition, certain marina leases which may be returning to NSW Maritime in a relatively short period of time, are likely to have a market value. A reliable measurement is being investigated.

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Land, buildings and infrastructure assets are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount, which is the greater of fair value less costs to sell and value in use. As NSW Maritime is a not-for-profit entity, value in use is defined as depreciated replacement cost.

Impairment losses are recognised in the income statement.

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

Property plant and equipment is valued at fair value in accordance with Australian Accounting Standard AASB 116 *Property, Plant and Equipment*. NSW Treasury Policy and Guidelines Paper TPP 07-1 *Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value* provides additional guidance on applying AASB 116 to public sector assets.

All significant physical non-current assets of NSW Maritime were revalued during the 2005-2006 financial year. A valuation materiality threshold of $250,000 was adopted, which meant that only asset classes with a written down value in excess of $250,000 were subject to revaluation of value. Those assets not revalued are recorded at their historical cost or previously revalued amount, which is considered not to be materially different from fair value. The written down replacement cost of a number of assets has been established by qualified persons within NSW Maritime.

A review was performed during the 2006-2007 financial year to identify any material movements in values. Based on this review, no changes were required as no material movements in fair value were identified.

Following initial recognition at cost, property, plant and equipment is carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

Where an asset is revalued, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal of an asset, any revaluation reserve relating to that asset is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

### (f) Borrowing costs

Borrowing costs (including interest) are recognised as an expense when incurred.

### (g) Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the income statement in the year of derecognition.

### (h) Intangible assets

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of NSW Maritime's intangible assets have been assessed to be finite. Amortisation is charged as an expense in the income statement.

Intangible assets are tested for impairment where an indicator of impairment exists. The useful life of the intangible assets is also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

### (i) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments are measured at fair value. All investments are held for trading, and gains or losses on investments are recognised in the income statement.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) 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.

### (k) Receivables and payables

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

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.

### (l) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### (m) Provisions

Provisions are recognised when NSW Maritime has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where NSW Maritime expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### (n) 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 income statement 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, have these lease payments amortised over the term of the lease for the purpose of these financial statements. This procedure is in accordance with the recommendations detailed in NSW Treasury's Policy and Guidelines Paper TPP06-3 *Lessor Accounting for Prepaid Long Term Leases of Land*, issued in June 2006.

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

### (o) 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 AASB 117 *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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) 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 service. It is considered this measurement technique produces results not materially different from the estimated amount using the net present value basis of measurement.

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

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

NSW Maritime contributes to employee superannuation funds in addition to contributions made by employees. Such contributions are paid to nominated funds. NSW Maritime contributes to defined benefit schemes and accumulation schemes. Payments are applied towards the accruing liability for superannuation in respect of employees and are expensed in the Income Statement. Actuarial assessments are performed at each reporting date for the defined benefit schemes. Actuarial gains and losses are recognised as income or expense in the Income Statement. Unfunded defined benefit schemes are recognised as a non-current liability while over-funded schemes are recognised as a non-current asset.

#### (q) Insurance

NSW Maritime's insurance requirement is managed by the NSW Treasury Managed Fund. NSW Maritime had the following coverage in place during 2006-2007: workers' compensation, public liability, motor vehicle, property and miscellaneous.

#### (r) Distribution policy

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

1. Operations
2. Proceeds from surplus property disposal.

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

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

#### (s) Income tax

NSW Maritime is a general government non-budget dependent agency and is not subject to the income tax equivalent regime.

#### (t) Comparatives

Comparatives for defined benefits superannuation was reclassified based on advice received from NSW Treasury. The revenue, expense, receipts and payments were also reclassified.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | | $000 | $000 | $000 | $000 |
| 2 | Port management | | | | |
| | Wharfage | 115 | 142 | 115 | 142 |
| | Site occupation charges | 61 | 68 | 61 | 68 |
| | Ship utility charges | 4 | 4 | 4 | 4 |
| | Navigation services | 671 | 613 | 671 | 613 |
| | Pilotage | 198 | 180 | 198 | 180 |
| | Storage facilities fee – Eden | 55 | – | 55 | – |
| | | 1,104 | 1,007 | 1,104 | 1,007 |
| 3 | Channel fees | | | | |
| | Newcastle Port Corporation | 2,668 | 2,764 | 2,668 | 2,764 |
| | Port Kembla Port Corporation | 1,043 | 1,208 | 1,043 | 1,208 |
| | Sydney Ports Corporation | 3,387 | 2,882 | 3,387 | 2,882 |
| | | 7,098 | 6,854 | 7,098 | 6,854 |
| 4 | Drivers licences | | | | |
| | One year licence | 1,967 | 1,877 | 1,967 | 1,877 |
| | Three year licence | 12,868 | 12,395 | 12,868 | 12,395 |
| | Licence test | 518 | 862 | 518 | 862 |
| | | 15,353 | 15,134 | 15,353 | 15,134 |
| 5 | Boat registrations | | | | |
| | Initial | 905 | 960 | 905 | 960 |
| | Renewal | 15,887 | 14,886 | 15,887 | 14,886 |
| | Transfer charges | 553 | 532 | 553 | 532 |
| | | 17,345 | 16,378 | 17,345 | 16,378 |
| 6 | Moorings | | | | |
| | Private | 5,101 | 4,845 | 5,101 | 4,845 |
| | Commercial | 1,467 | 1,467 | 1,467 | 1,467 |
| | Inspection fees | 160 | 131 | 160 | 131 |
| | | 6,728 | 6,443 | 6,728 | 6,443 |
| 7 | Commercial vessels charges | | | | |
| | Survey fees | 1,611 | 1,700 | 1,611 | 1,700 |
| | Registration fees | 708 | 676 | 708 | 676 |
| | Examinations | 152 | 172 | 152 | 172 |
| | Commercial vessels penalties | 3 | – | 3 | – |
| | Other | 191 | 203 | 191 | 203 |
| | | 2,665 | 2,751 | 2,665 | 2,751 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | | | Consolidated | | Parent | |
|---|---|---|---|---|---|---|
| | | | 2007 | 2006 | 2007 | 2006 |
| | | | $000 | $000 | $000 | $000 |
| 8 | Rentals | | | | | |
| | Land | | 317 | 374 | 317 | 374 |
| | Maritime Trade Tower – building | | 9,439 | 8,806 | 9,439 | 8,806 |
| | Maritime Trade Tower – land | | 16,375 | 15,056 | 16,375 | 15,056 |
| | Long term lease rental income | | 710 | 678 | 710 | 678 |
| | Commercial | | 13,237 | 14,951 | 13,237 | 14,951 |
| | Private | | 4,979 | 3,359 | 4,979 | 3,359 |
| | Government | | 31 | 452 | 31 | 452 |
| | NSW Maritime property | | 66 | 125 | 66 | 125 |
| | Superyacht charges | | 1,299 | 954 | 1,299 | 954 |
| | | | 46,453 | 44,755 | 46,453 | 44,755 |
| 9 | Interest on investments | | | | | |
| | Bank and other interest | | 232 | 184 | 232 | 184 |
| | TCorp investment facility | | 5,655 | 5,077 | 5,655 | 5,077 |
| | | | 5,887 | 5,261 | 5,887 | 5,261 |
| 10 | Other income | | | | | |
| | Other boating fees | | 2,168 | 1,709 | 2,168 | 1,709 |
| | Miscellaneous services | | 4,652 | 2,137 | 4,648 | 2,137 |
| | Superannuation funding surplus | | 2,646 | 10,348 | – | 7,343 |
| | Investment properties revaluation increment | | – | 6,800 | – | 6,800 |
| | | | 9,466 | 20,994 | 6,816 | 17,989 |
| 11 | Appropriation | | | | | |
| | Capital appropriation | | | | | |
| | Development of Port of Eden | (a) | – | 2,984 | – | 2,984 |
| | (a) At 30 June 2007, prior appropriations of $NIL ($2.984M at 30 June 2006) are unspent and are accounted for as a liability. The amount was derived as follows: | | | | | |
| | Unspent appropriations at 1 July | | – | 2,984 | – | 2,984 |
| | Less: expenditure | | – | (2,984) | – | (2,984) |
| | Unspent appropriations at 30 June | | – | – | – | – |
| 12 | Grants and subsidies | | | | | |
| | King Street Wharf coach layover facility | | – | 7,403 | – | 7,403 |
| | Lady Robinson Beach future maintenance | | – | 440 | – | 440 |
| | Sydney Harbour estuarine vegetation mapping | | 15 | 20 | 15 | 20 |
| | Sydney Harbour foreshore vegetation mapping | | 25 | 25 | 25 | 25 |
| | Sydney Harbour riverine corridor ecology | | – | 5 | – | 5 |
| | Sydney Harbour foreshore seagrass analysis | | 10 | – | 10 | – |
| | King Street Wharf | | 2,500 | 6,621 | 2,500 | 6,621 |
| | MOT Commuter wharves upgrade/maintenance | | 3,000 | – | 3,000 | – |
| | SHFA – Dawes Point seawall restoration | | 193 | – | 193 | – |
| | | | 5,743 | 14,514 | 5,743 | 14,514 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| **13 Employee related expenses** | | | | |
| Payroll services | – | – | 29,150 | 5,502 |
| Ordinary time | 21,639 | 20,757 | – | 14,533 |
| Long service leave | 1,184 | 1,169 | – | 935 |
| Recreation leave | 2,040 | 1,954 | – | 1,396 |
| Payroll tax and fringe benefits tax | 2,032 | 1,926 | – | 1,165 |
| Overtime | 383 | 300 | – | 214 |
| Sick leave | 423 | 393 | – | 256 |
| Voluntary separation payments | 120 | – | – | – |
| Other employee benefits and workers' compensation | 990 | (158) | – | 600 |
| External labour | 2,271 | 1,668 | 2,271 | 911 |
| | 31,082 | 28,009 | 31,421 | 25,512 |
| **14 Superannuation expenses** | | | | |
| Contributions | 1,346 | 1,407 | – | 899 |
| Funding deficit | 1,251 | – | – | – |
| | 2,597 | 1,407 | – | 899 |
| **15 Service contractors** | | | | |
| Contractors | 8,980 | 6,617 | 8,980 | 6,617 |
| Maintenance agreements | 729 | (453) | 729 | (453) |
| Wharf maintenance | 6,416 | 2,066 | 6,416 | 2,066 |
| Navigational aids maintenance | 1,231 | 1,200 | 1,231 | 1,200 |
| Others | 41 | 12 | 41 | 12 |
| | 17,397 | 9,442 | 17,397 | 9,442 |
| **16 Administration** | | | | |
| Advertising | 496 | 473 | 496 | 473 |
| Collection fees | 583 | 535 | 583 | 535 |
| Printing | 667 | 542 | 667 | 542 |
| Rent | 920 | 854 | 920 | 854 |
| Training | 1,283 | 599 | 1,283 | 599 |
| Stationery and office supplies | 332 | 264 | 332 | 264 |
| Insurance | 589 | 636 | 589 | 636 |
| Travel | 809 | 670 | 417 | 670 |
| Motor vehicle and vessel expenses | 699 | 557 | 699 | 557 |
| Legal fees | 2,165 | 1,612 | 2,165 | 1,612 |
| Management fees – port corporations | 450 | 499 | 450 | 499 |
| Internal audit fees | 39 | 51 | 39 | 51 |
| Subscriptions, donations and professional fees | 141 | 235 | 141 | 235 |
| Other | 2,931 | 576 | 2,931 | 576 |
| | 12,104 | 8,103 | 11,712 | 8,103 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| **17 Grants and subsidies** | | | | |
| Volunteer Marine Rescue Council | 1,271 | 1,240 | 1,271 | 1,240 |
| National Marine Safety Committee | 520 | 520 | 520 | 520 |
| Australia Day NSW Maritime staff support | 153 | 185 | 153 | 185 |
| University of Sydney – Building Seawall ARC Linkage | 5 | – | 5 | – |
| | 1,949 | 1,945 | 1,949 | 1,945 |
| **18 Financial expenses** | | | | |
| Interest – Maritime Trade Tower | 16,825 | 15,469 | 16,825 | 15,469 |
| Transactions and account keeping fees | 95 | 89 | 95 | 89 |
| | 16,920 | 15,558 | 16,920 | 15,558 |
| **19 Loss on disposal of assets** | | | | |
| Disposed assets at cost | 10,589 | 15,089 | 10,589 | 15,089 |
| Less: accumulated depreciation | (2,164) | (222) | (2,164) | (222) |
| Written down value of disposed assets | 8,425 | 14,867 | 8,425 | 14,867 |
| Less: Proceeds from sale of property, plant and equipment | (3,682) | (11,153) | (3,682) | (11,153) |
| Less: Transfer of assets to SHFA | – | (2,860) | – | (2,860) |
| Loss on disposal of property, plant and equipment | 4,743 | 854 | 4,743 | 854 |
| *Consisting of:* | | | | |
| Loss on property, plant and equipment sold | 153 | 634 | 153 | 634 |
| Loss on property, plant and equipment written off | 4,590 | 220 | 4,590 | 220 |
| | 4,743 | 854 | 4,743 | 854 |
| **20 Significant items** | | | | |
| Profit from ordinary activities includes the following revenues and expenses for defined benefit superannuation funds, the disclosure of which is relevant in explaining the income of NSW Maritime: | | | | |
| Superannuation funding – surplus (refer note 10) | 2,646 | 10,348 | – | 7,343 |
| Superannuation funding – deficit (refer note 14) | 1,251 | – | – | – |

Superannuation was reassessed by Pillar Administration. The assessment resulted in a funding surplus of $6.643M at 30 June 2007 ($4.049M surplus at 30 June 2006). The resulting revenue amount is considered to be significant due to its size in relation to the operating result.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| 21 Cash and cash equivalents | | | | |
| Cash on hand | 47 | 46 | 47 | 46 |
| Cash in bank | 4,331 | 1,151 | 3,937 | 1,151 |
| TCorp Hour-Glass Investments: | | | | |
| Cash facility | 62,584 | 68,953 | 62,584 | 68,953 |
| Bond market facility | 12,100 | 51,747 | 12,100 | 51,747 |
| Medium term growth facility | 26,453 | 11,982 | 26,453 | 11,982 |
| Long term growth facility | 11,415 | – | 11,415 | – |
| Cash and cash equivalents in the balance sheet | 116,930 | 133,879 | 116,536 | 133,879 |

### Reconciliation of cash

The amount shown is fair value. For the purposes of the cash flow statement, cash and cash equivalents comprise the amounts shown above.

The TCorp Investments are unit trust style investment facilities, where the units may be readily converted to cash for periods varying from at call to one month.

### Reconciliation of net cash flows from operating activities to net surplus

| | Consolidated 2007 $000 | Consolidated 2006 $000 | Parent 2007 $000 | Parent 2006 $000 |
|---|---|---|---|---|
| Net cash provided by (used in) operating activities | 14,391 | 27,548 | 13,997 | 27,548 |
| Revaluation increment | – | 6,800 | – | 6,800 |
| Depreciation and amortisation | (7,857) | (7,334) | (7,857) | (7,334) |
| Net gain (loss) on asset disposal | (153) | (854) | (153) | (854) |
| Non-cash grant of assets | (4,590) | 7,403 | (4,590) | 7,403 |
| Interest received | 5,887 | 5,261 | 5,887 | 5,261 |
| Changes in assets and liabilities | | | | |
| Increase (decrease) in current receivables | 3,444 | 891 | 5,194 | 888 |
| Increase (decrease) in inventory | 66 | 53 | 66 | 53 |
| Increase (decrease) in non-current receivables | 1,116 | 2,492 | (1,478) | (1,557) |
| Decrease (increase) in current payables | 4,313 | 5,184 | 5,154 | (5,749) |
| Decrease (increase) in non-current payables | (691) | 667 | (691) | 667 |
| Decrease (increase) in Maritime Trade Tower lease | 2,098 | 2,303 | 2,098 | 2,303 |
| Decrease (increase) in provisions | (397) | 8,971 | – | 23,956 |
| Net surplus | 17,627 | 59,385 | 17,627 | 59,385 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| **22 Trade and other receivables (current)** | | | | |
| Trade debtors | 5,286 | 403 | 5,286 | 403 |
| Rental debtors | 1,922 | 1,764 | 1,922 | 1,764 |
| Payments in advance | 1,392 | 601 | 1,123 | 601 |
| Accrued income | 666 | 480 | 666 | 480 |
| Land sale receivables (a) | 1,479 | 1,703 | 1,479 | 1,703 |
| Net GST receivable | 409 | 906 | 409 | 906 |
| Other | 38 | 57 | 2,054 | 54 |
| Less: provision for doubtful debts | (1,937) | (103) | (1,937) | (103) |
| | 9,255 | 5,811 | 11,002 | 5,808 |

(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.

**(i) Net fair values**

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

**(ii) Significant terms and conditions**

Trade and other receivables are non-interest bearing. Trade receivables are required to be settled within seven days and rental receivables are required to be settled on their due date.

**(iii) Credit risk**

NSW Maritime does not have any significant exposure to any individual customer or counterparty. The maximum credit risk is considered to be the net fair value. Major concentrations of credit risk that arise from NSW Maritime debtors in relation to the industry categories and location of the customer by the percentage of the total receivable from customers are:

| Categories | 2007 | 2006 |
|---|---|---|
| Boating industries | 17% | 42% |
| Government authorities | 47% | 16% |
| Other business | 36% | 42% |
| | 100% | 100% |

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| **23 Inventories** | | | | |
| Boating maps and fuel (at cost) | 196 | 130 | 196 | 130 |
| **24 Receivables (non-current)** | | | | |
| Superannuation surplus | 6,643 | 4,049 | – | – |
| Land sale receivable | 6,421 | 7,899 | 6,421 | 7,899 |
| | 13,064 | 11,948 | 6,421 | 7,899 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

25 Property, plant and equipment

year ended 30 June 2006

| | Construction in Progress | Land and Buildings | Infrastructure | Plant and Equipment | Total |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 |
| At 1 July 2005, | | | | | |
| Carrying amount | 10,500 | 138,540 | 326,883 | 13,345 | 489,268 |
| Additions | 21,023 | 6 | 1,064 | 3,981 | 26,074 |
| Disposals | (5,070) | (10,700) | (2,980) | (1,187) | (19,937) |
| Depreciation charge for the year | – | (913) | (4,222) | (1,974) | (7,109) |
| At 30 June 2006 | | | | | |
| Carrying amount | 26,453 | 126,933 | 320,745 | 14,165 | 488,296 |
| **At 1 July 2005** | | | | | |
| Carrying amount | 10,500 | 138,540 | 326,883 | 13,345 | 489,268 |
| **At 30 June 2006** | | | | | |
| Cost or fair value | 26,453 | 127,846 | 326,015 | 16,010 | 496,324 |
| Accumulated depreciation and impairment | – | (913) | (5,270) | (1,845) | (8,028) |
| Carrying amount | 26,453 | 126,933 | 320,745 | 14,165 | 488,296 |

### Asset stocktake

An asset stocktake of all items on the Fixed Asset Register was undertaken during 2006-2007. Records were adjusted for stocktake results.

### Valuation

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

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

Rozelle Bay Maritime Precinct: Urbis JHD Valuations Pty Ltd

Homebush Bay Land: Urbis JHD Valuations Pty Ltd

Rozelle Bay Office: LandMark White (NSW) Pty Ltd

South Head Signal Station: Widnell Quantity Surveyors

Newcastle land: State Valuation Office

Port Kembla land: State Valuation Office

Other physical non-current assets were valued by NSW Maritime management with appropriate expertise. See also note 1(e).

The balance sheet 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

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

Year ended 30 June 2007

| | Construction in Progress | Land and Buildings | Infrastructure | Plant and Equipment | Total |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 |
| At 1 July 2006, | | | | | |
| Carrying amount | 26,453 | 126,933 | 320,745 | 14,165 | 488,296 |
| Additions | 24,122 | 1 | 3,446 | 3,564 | 31,133 |
| Disposals | (7,204) | (2,612) | (4,521) | (1,291) | (15,628) |
| Revaluations | – | – | 3,483 | – | 3,483 |
| Depreciation charge for the year | – | (913) | (4,295) | (2,442) | (7,650) |
| At 30 June 2007 | | | | | |
| Carrying amount | 43,371 | 123,409 | 318,858 | 13,996 | 499,634 |
| **At 1 July 2006** | | | | | |
| Cost or fair value | 26,453 | 127,846 | 326,015 | 16,010 | 496,324 |
| Accumulated depreciation and impairment | – | (913) | (5,270) | (1,845) | (8,028) |
| Net carrying amount | 26,453 | 126,933 | 320,745 | 14,165 | 488,296 |
| **At 30 June 2007** | | | | | |
| Cost or fair value | 43,371 | 125,236 | 326,709 | 17,830 | 513,146 |
| Accumulated depreciation and impairment | – | (1,827) | (7,851) | (3,834) | (13,512) |
| Net carrying amount | 43,371 | 123,409 | 318,858 | 13,996 | 499,634 |

As the controlled entity does not hold any property plant and equipment, the information included in this note 25 is the same for both the parent entity and the group.

### 26 Investment properties

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| Opening balance at 1 July | **130,000** | 123,200 | **130,000** | 123,200 |
| Net gain from fair value adjustment | – | 6,800 | – | 6,800 |
| Closing balance at 30 June | **130,000** | 130,000 | **130,000** | 130,000 |

The fair value of investment properties has been determined by reference to independent valuations prepared by Preston Rowe Paterson NSW Pty Ltd as at 30 June 2005 and updated by reference to additional advice at 30 June 2006. 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 Australian Valuation Standards.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2007

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| **27 Intangibles** | | | | |
| Opening balance at 1 July | 466 | 672 | 466 | 672 |
| Additions (subsequent expenditure) | 192 | 20 | 192 | 20 |
| Depreciation charge for the year | (207) | (226) | (207) | (226) |
| Closing balance at 30 June | 451 | 466 | 451 | 466 |
| At 1 July | | | | |
| Cost or fair value | 4,701 | 4,682 | 4,701 | 4,682 |
| Accumulated depreciation and impairment | (4,235) | (4,010) | (4,235) | (4,010) |
| | 466 | 672 | 466 | 672 |
| At 30 June | | | | |
| Cost or fair value | 4,876 | 4,701 | 4,876 | 4,701 |
| Accumulated depreciation and impairment | (4,425) | (4,235) | (4,425) | (4,235) |
| | 451 | 466 | 451 | 466 |

Intangible assets consist of computer software which are not an integral part of a computer system and is recorded at cost. Intangible assets have been assessed as having a finite life and are amortised using the straight line method over 5 years. The assets are tested for impairment when an indicator of impairment arises.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| **28 Trade and other payables** | | | | |
| Current | | | | |
| Trade payables | 5,587 | 5,381 | 16,052 | 16,629 |
| Customer advances and deposits | 1,161 | 981 | 1,161 | 981 |
| Priority list on moorings | 457 | 443 | 457 | 443 |
| Wetland lease security deposits (a) | 28,626 | 36,839 | 28,626 | 36,839 |
| Rent in advance | 1,120 | – | 1,120 | – |
| Long term lease unearned income | 710 | 710 | 710 | 710 |
| Other creditors and accruals | 4,455 | 2,925 | 4,082 | 2,610 |
| Boating fees in advance (b) | 23,288 | 22,438 | 23,288 | 22,438 |
| | 65,404 | 69,717 | 75,496 | 80,650 |
| Non-current | | | | |
| Boating fees in advance (b) | 9,092 | 7,692 | 9,092 | 7,692 |
| Long term lease unearned income (c) | 62,334 | 63,043 | 62,334 | 63,043 |
| | 71,426 | 70,735 | 71,426 | 70,735 |

Trade payables are non-interest bearing and 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 following month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

(a) This amount mainly represents cash deposits, in lieu of bank guarantees, received from the developer of King Street Wharf, as security over the completion of specific stages of the construction project. Once these stages are completed, approximately $10.17M will be paid to NSW Treasury as a distribution from property disposal. A further $8.73M will be returned to the Roads and Traffic Authority under the terms of the arrangement.

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

(c) Long term lease unearned income comprises prepaid lease rental in which the income is recognised on a straight-line basis over lease terms exceeding 50 years.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| **29 Maritime Trade Tower lease** | | | | |
| Maritime Trade Tower represents the amounts owing on the acquisition of the Maritime Trade Tower building, purchased on 1989 for a period of 96 years with payments over the first 25 years. Tenure is secured by a lease. | | | | |
| **Current** | 1,985 | 2,097 | 1,985 | 2,097 |
| **Non-current** | 8,453 | 10,439 | 8,453 | 10,439 |
| **30 Provisions** | | | | |
| **Current employee benefits and related on-cost** | | | | |
| Annual leave (a) | 2,614 | 2,558 | – | – |
| Long service leave – short term benefit (b) | 759 | 549 | – | – |
| Long service leave – long term benefit (b) | 7,493 | 7,061 | – | – |
| Payroll tax provision on long service leave | 506 | 457 | – | – |
| Provision for workers' compensation (c) | 570 | 537 | – | – |
| | 11,942 | 11,162 | – | – |
| **Current other provisions** | | | | |
| Provision for distribution | 13,750 | 13,185 | 13,750 | 13,185 |
| Provision for environmental restoration | 10,265 | 5,056 | 10,265 | 5,056 |
| | 35,957 | 29,403 | 24,015 | 18,241 |
| **Non-current employee benefits and related on-cost** | | | | |
| Long service leave (b) | 179 | 235 | – | – |
| Payroll tax provision on long service leave | 11 | 14 | – | – |
| Provision for workers' compensation (c) | 3,250 | 3,574 | – | – |
| | 3,440 | 3,823 | – | – |
| **Non-current other provisions** | | | | |
| Provision for environmental restoration | 1,160 | 6,369 | 1,160 | 6,369 |
| | 4,600 | 10,192 | 1,160 | 6,369 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | Balance 1 Jul 06 $000 | Charges to revenue $000 | Less payments $000 | Balance 30 Jun 07 $000 |
|---|---|---|---|---|
| 30 Provisions (continued) | | | | |
| **Movement in annual and long service leave provisions** | | | | |
| Annual leave | 2,558 | 2,040 | (1,984) | 2,614 |
| Long service leave – current | 7,610 | 1,240 | (598) | 8,252 |
| Long service leave – non-current | 235 | (56) | – | 179 |

(a) The liability for annual leave is calculated as at 1 July 2007 wage rates and has been fully provided.

(b) The liability for long service leave has been calculated as at 1 July 2007 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 $2.320M for dust diseases (2006: $1.960M) of which $220K (2006: $157K) is current. This provision is for claims from former Maritime Services Board staff for dust related diseases that can be attributed to their service prior to 30 June 1995.

The Treasury Managed Fund (TMF) normally calculates hindsight premiums each year. In 2006-2007 NSW Maritime received a refund for the 1998-1999 final workers' compensation hindsight adjustment and made a payment for the 2000-2001 interim workers' compensation hindsight adjustment.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

### 31 Superannuation

NSW Maritime has three defined benefit superannuation schemes covering approximately one third of its employees. They are:

State Superannuation Scheme (SSS)
State Authorities Non-Contributory Superannuation Scheme (SANCS)
State Authorities Superannuation Scheme (SASS)

All of these superannuation schemes are defined benefits schemes, where at least a component of the final benefit is derived from a multiple of member salary and years of membership. All schemes are closed to new members. Member numbers of the schemes are as follows:

| | SASS 2007 | SANCS 2007 | SSS 2007 |
|---|---|---|---|
| **Contributors** | 61 | 103 | 42 |
| **Deferred benefits** | – | – | 1 |
| **Pensioners** | 2 | – | 22 |
| **Pensions fully commuted** | – | – | 5 |

| | SASS 2006 | SANCS 2006 | SSS 2006 |
|---|---|---|---|
| Contributors | 66 | 111 | 45 |
| Deferred benefits | – | – | 1 |
| Pensioners | – | – | 20 |
| Pensions fully commuted | – | – | 5 |

| Superannuation position recognised in the balance sheet | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Accrued liability** | 15,187 | 3,292 | 39,374 | 57,853 |
| **Reserve account balance** | (18,994) | (4,663) | (45,144) | (68,801) |
| **Surplus in excess of recovery available from schemes** | 1,497 | 539 | 2,269 | 4,305 |
| **Net (asset) liability recognised in balance sheet** | (2,310) | (832) | (3,501) | (6,643) |
| **Future service liability** | 3,336 | 1,283 | 2,024 | 6,643 |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Accrued liability | 13,894 | 3,266 | 40,149 | 57,309 |
| Reserve account balance | (16,603) | (4,133) | (40,622) | (61,358) |
| Net (asset) liability recognised in balance sheet | (2,709) | (867) | (473) | (4,049) |
| Future service liability | 3,654 | 1,476 | 2,681 | 7,811 |

The future service liability does not have to be recognised by NSW Maritime. It is only used to determine if an asset ceiling limit should be imposed.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2007

31 Superannuation (continued)

| Reconciliation of the present value of the defined benefit obligation | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Present value of partly funded defined benefit obligations at beginning of year** | 13,894 | 3,266 | 40,149 | 57,309 |
| **Current service cost** | 592 | 187 | 358 | 1,137 |
| **Interest cost** | 799 | 184 | 2,345 | 3,328 |
| **Contributions by fund participants** | 304 | – | 379 | 683 |
| **Actuarial (gains) losses** | 384 | (85) | (1,409) | (1,110) |
| **Benefits paid** | (786) | (260) | (2,448) | (3,494) |
| **Present value of partly funded defined benefit obligations at end of year** | 15,187 | 3,292 | 39,374 | 57,853 |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Present value of partly funded defined benefit obligations at beginning of year | 13,958 | 3,410 | 41,903 | 59,271 |
| Current service cost | 612 | 197 | 498 | 1,307 |
| Interest cost | 825 | 170 | 2,330 | 3,325 |
| Contributions by fund participants | 297 | – | 359 | 656 |
| Actuarial (gains) losses | (1,029) | (387) | (4,927) | (6,343) |
| Benefits paid | (769) | (124) | (14) | (907) |
| Present value of partly funded defined benefit obligations at end of year | 13,894 | 3,266 | 40,149 | 57,309 |

| Reconciliation of the fair value of fund assets | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Fair value of fund assets at beginning of year** | 16,603 | 4,133 | 40,622 | 61,358 |
| **Expected return on fund assets** | 1,255 | 310 | 3,068 | 4,633 |
| **Actuarial gains (losses)** | 1,011 | 269 | 3,140 | 4,420 |
| **Employer contributions** | 607 | 211 | 383 | 1,201 |
| **Contributions by fund participants** | 304 | – | 379 | 683 |
| **Benefits paid** | (786) | (260) | (2,448) | (3,494) |
| **Fair value of fund assets at end of year** | 18,994 | 4,663 | 45,144 | 68,801 |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Fair value of fund assets at beginning of year | 11,494 | 822 | 39,481 | 51,797 |
| Expected return on fund assets | 860 | 59 | 2,975 | 3,894 |
| Actuarial gains (losses) | 1,000 | 253 | 3,492 | 4,745 |
| Employer contributions | 3,721 | 3,123 | (5,671) | 1,173 |
| Contributions by fund participants | 297 | – | 359 | 656 |
| Benefits paid | (769) | (124) | (14) | (907) |
| Fair value of fund assets at end of year | 16,603 | 4,133 | 40,622 | 61,358 |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2007

31 Superannuation (continued)

| Total expense (income) recognised in the income statement | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Current service cost** | 592 | 187 | 358 | 1,137 |
| **Interest cost** | 798 | 184 | 2,344 | 3,326 |
| **Expected return on fund assets (net of expenses)** | (1,255) | (310) | (3,068) | (4,633) |
| **Actuarial losses (gains) recognised in year** | (627) | (354) | (4,549) | (5,530) |
| **Movement in adjustment for limitation on net assets** | 1,497 | 539 | 2,269 | 4,305 |
| **Expense (income) recognised** | 1,005 | 246 | (2,646) | (1,395) |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Current service cost | 612 | 197 | 498 | 1,307 |
| Interest cost | 826 | 170 | 2,331 | 3,327 |
| Expected return on fund assets (net of expenses) | (860) | (59) | (2,975) | (3,894) |
| Actuarial losses (gains) recognised in year | (2,030) | (639) | (8,419) | (11,088) |
| Expense (income) recognised | (1,452) | (331) | (8,565) | (10,348) |

**Fair value of fund assets**

All fund assets are invested by STC at arms length through independent fund managers.

**Actual return on fund assets**

| | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Return on fund assets** | 2,429 | 579 | 5,707 | 8,715 |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Return on fund assets | 1,914 | 312 | 6,027 | 8,253 |

**Valuation method and principal actuarial assumptions at balance sheet date**

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

| | 2007 | 2006 |
|---|---|---|
| Economic assumptions adopted were: | | |
| Salary increase rate to 30 June 2008 | 4.00% | 4.00% |
| Salary increase rate after 30 June 2008 | 3.50% | 3.50% |
| Rate of CPI increase | 2.50% | 2.50% |
| Expected rate of return on assets backing current pension liabilities | 7.60% | 7.60% |
| Expected rate of return on assets backing other liabilities | 7.60% | 7.60% |
| Discount rate | 6.40% | 5.90% |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

31 Superannuation (continued)

The following is a summary of the financial position of the fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

| | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Accrued benefits** | 14,953 | 3,262 | 35,613 | 53,828 |
| **Net market value of fund assets** | (18,995) | (4,663) | (45,145) | (68,803) |
| **Net (surplus)/deficit** | (4,042) | (1,401) | (9,532) | (14,975) |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Accrued benefits | 13,376 | 3,098 | 33,719 | 50,193 |
| Net market value of fund assets | (16,603) | (4,132) | (40,622) | (61,357) |
| Net (surplus)/deficit | (3,227) | (1,034) | (6,903) | (11,164) |

| Recommended contribution rates are: | SASS 2007 | SANCS 2007 | SSS 2007 |
|---|---|---|---|
| **Multiple of member contributions** | 1.90 | – | 0.93 |
| **% member salary** | – | 2.5 | – |

| | SASS 2006 | SANCS 2006 | SSS 2006 |
|---|---|---|---|
| Multiple of member contributions | 1.90 | – | 0.93 |
| % member salary | – | 2.5 | – |

**Funding method**

The method used to determine the employer contribution recommendations at the last actuarial review date was the Aggregate Funding method. The method adopted affects the timing of the cost to NSW Maritime. Under the aggregate funding method the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

The economic assumptions adopted for the last actuarial review of the Fund were:

| | 2007 | 2006 |
|---|---|---|
| **Weighted average assumptions** | | |
| Expected rate of return on fund assets backing current pension liabilities | 7.70% | 7.70% |
| Expected rate of return on fund assets backing other liabilities | 7.00% | 7.00% |
| Expected salary increase rate | 4.00% | 4.00% |
| Expected rate of CPI increase | 2.50% | 2.50% |

**Nature of asset/liability**

If a surplus exists in NSW Maritime's interest in the fund, NSW Maritime may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary. Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

### 32 Financial risk management objectives and policies

NSW Maritime's principal financial instruments comprise finance leases, cash and short-term deposits. The main purpose of these financial instruments is to fund NSW Maritime operations. NSW Maritime has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period under review, NSW Maritime's policy that no trading in financial instruments shall be undertaken.

The main risks arising from NSW Maritime's financial instruments are interest rate risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks and they are summarised below.

*Interest rate risk*
NSW Maritime's exposure to market risk for changes in interest rates relates primarily to its investment in TCorp. There is no exposure to interest rate risk for a period longer than one year.

*Credit risk*
NSW Maritime trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that NSW Maritime's exposure to bad debts is not significant.

*Liquidity risk*
NSW Maritime's objective is to maintain a satisfactory level of liquidity. NSW Maritime has no significant borrowings which are likely to require significant cash flow in the foreseeable future.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| **33 Commitments for expenditures** | | | | |
| **(a) Capital commitments** | | | | |
| Aggregate capital expenditures contracted for at balance date and not provided: | | | | |
| Not later than one year | 3,374 | 16,239 | 3,374 | 16,239 |
| Later than one year and not later than 5 years* | 73 | 203 | 73 | 203 |
| Total Including GST | 3,447 | 16,442 | 3,447 | 16,442 |
| **(b) Operating expenditure commitments (excluding lease commitments)** | | | | |
| Not later than one year | 5,259 | 1,553 | 5,259 | 1,553 |
| Later than one year and not later than 5 years* | 2,953 | 720 | 2,953 | 720 |
| Total Including GST | 8,212 | 2,273 | 8,212 | 2,273 |
| **(c) Operating lease commitments** | | | | |
| Not later than one year | 636 | 602 | 636 | 602 |
| Later than one year and not later than 5 years | 818 | 1,188 | 818 | 1,188 |
| Later than 5 years | 77 | 217 | 77 | 217 |
| Total Including GST | 1,531 | 2,007 | 1,531 | 2,007 |
| **(d) Operating lease commitments receivable** | | | | |
| Not later than one year | 2,219 | 9,949 | 2,219 | 9,949 |
| Later than one year and not later than 5 years | 38,528 | 20,971 | 38,528 | 20,971 |
| Later than 5 years | 4,190 | 4,368 | 4,190 | 4,368 |
| Total Including GST | 44,937 | 35,288 | 44,937 | 35,288 |
| **(e) National Marine Safety Committee Incorporated (NMSC)** | | | | |
| Commitments in relation to operating expenditure of the NMSC are as follows | | | | |
| Not later than one year | 572 | 572 | 572 | 572 |
| Later than one year and not later than 5 years* | 572 | 572 | 572 | 572 |
| Total Including GST | 1,144 | 1,144 | 1,144 | 1,144 |

* There were no expenditure commitments later than 5 years

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

### 33. Commitments for expenditures (continued)

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

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $000 | $000 | $000 | $000 |
| **(f) Maritime Infrastructure Program (MIP)** | | | | |
| Not later than one year | 1,700 | 1,730 | 1,700 | 1,730 |
| Later than one year and not later than 5 years* | 3,455 | 2,192 | 3,455 | 2,192 |
| Total Including GST | 5,155 | 3,922 | 5,155 | 3,922 |

* There were no expenditure commitments later than 5 years

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

NSW Maritime entered into a conditional agreement to provide $1.307M (2006: $1.271M) per year (CPI indexed) to the Volunteer Marine Rescue Council for distribution to volunteer marine rescue organisations.

### 34 Contingent liabilities and assets

Contingent liabilities for unsettled claims subject to litigation as at 30 June 2007 are estimated to be $3.635M (2006: $1.584M). If successful, these claims will be met by NSW Maritime's insurers. The contingent asset in relation to these claims is $3.635M (2006: $1.584M).

### 35 Auditors' remuneration

Amounts received or due and receivable by the NSW Auditor-General for:

| | Consolidated 2007 $000 | Consolidated 2006 $000 | Parent 2007 $000 | Parent 2006 $000 |
|---|---|---|---|---|
| an audit or review of the financial report | 154 | 158 | 154 | 158 |
| other services | – | – | – | – |
| | 154 | 158 | 154 | 158 |

End of Audited Financial Statements

# INDEPENDENT AUDIT REPORT

AUDITOR-GENERAL NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

**Maritime Authority of NSW Division**

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Maritime Authority of NSW Division (the Division), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

***Auditor's Opinion***

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Maritime Authority of NSW Division as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

***Chief Executive's Responsibility for the Financial Report***

The Chief Executive is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's Responsibility***

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial report.

## INDEPENDENT AUDIT REPORT

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Division,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

***Independence***

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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.

James Sugumar

James Sugumar
Acting Director, Financial Audit Services

16 October 2007
SYDNEY

## CHIEF EXECUTIVE'S STATEMENT

# MARITIME AUTHORITY OF NSW DIVISION Financial Statements

## For the year ended 30 June 2007

### 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 Division's financial position as at 30 June 2007 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 2005*, and the Treasurer's Directions.

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

Chris Oxenbould AO
**Chief Executive**
9 OCT 2007

## INCOME STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 $000 | 2006 $000 |
|---|---|---|---|
| Revenue | | | |
| Payroll services | | 29,154 | 5,502 |
| Superannuation funding surplus | | 2,646 | 3,005 |
| **Total revenue** | | 31,800 | 8,507 |
| Expenses | | | |
| Employee related expenses | 2 | 28,811 | 7,999 |
| Superannuation expenses | 3 | 2,597 | 508 |
| Administration | 4 | 392 | – |
| **Total expenses** | | 31,800 | 8,507 |
| **Surplus (deficit) for the year** | | – | – |

## BALANCE SHEET

### AS AT 30 JUNE 2007

| | Note | 2007 $000 | 2006 $000 |
|---|---|---|---|
| ASSETS | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 394 | – |
| Trade and other receivables | 6 | 9,501 | 11,251 |
| **Total current assets** | | 9,895 | 11,251 |
| **Non-current assets** | | | |
| Trade and other receivables | 7 | 6,643 | 4,049 |
| **Total non-current assets** | | 6,643 | 4,049 |
| **TOTAL ASSETS** | | 16,538 | 15,300 |
| LIABILITIES | | | |
| **Current liabilities** | | | |
| Trade and other payables | 8 | 1,156 | 315 |
| Provisions | 9 | 11,942 | 11,162 |
| **Total current liabilities** | | 13,098 | 11,477 |
| **Non-current liabilities** | | | |
| Trade and other payables | 8 | – | – |
| Provisions | 9 | 3,440 | 3,823 |
| **Total non-current liabilities** | | 3,440 | 3,823 |
| **TOTAL LIABILITIES** | | 16,538 | 15,300 |
| **NET ASSETS** | | – | – |
| EQUITY | | | |
| Accumulated funds | | – | – |
| **Total equity** | | – | – |

The accompanying notes form part of these financial statements

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 $000 | 2006 $000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Receipts from customers | | 30,956 | – |
| Payments to suppliers and employees | | (30,562) | – |
| **Net cash flows from operating activities** | 5 | 394 | – |
| Net increase in cash and cash equivalents | | 394 | – |
| Cash and cash equivalents at the beginning of the year | | – | – |
| **Cash and cash equivalents at the end of the year** | 5 | 394 | – |

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2007

| | | |
|---|---|---|
| Accumulated funds | | |
| Balance at 1 July | – | – |
| Surplus for the year | – | – |
| Distributions to Government | – | – |
| Balance at 30 June | – | – |

The accompanying notes form part of these financial statements

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

NSW Maritime Authority Division was established on 16 March 2006, as a special purpose entity to take over all payroll and employment related responsibilities from NSW Maritime in order to enhance and protect the working conditions of NSW Maritime employees.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions. The financial report has been prepared on the basis of full accrual accounting using historical cost conventions, except for non-current physical assets and investment properties which are shown at fair value, and superannuation which is shown at actuarially assessed present value.

Maritime Authority of NSW Division is a division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. Its sole objective is to provide personnel services to NSW Maritime. The Maritime Authority of NSW Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of NSW Maritime. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing an amount receivable from NSW Maritime as the previous employer.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards. A statement of compliance with International Financial Reporting Standards (IFRS) cannot be made due to NSW Maritime applying the not for profit sector requirements contained in the Australian Equivalents to International Financial Reporting Standards (AEIFRS).

### (c) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments are measured at fair value. All investments are held for trading, and gains or losses on investments are recognised in the income statement.

### (d) Receivables and payables

The only receivable relates to an amount payable by NSW Maritime. This amount will be settled in cash during the next financial year. Subsequent transactions between NSW Maritime and the Division will be settled on a monthly basis.

### (e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### (f) Provisions

Provisions are recognised when the Division has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Division expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### (g) 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 Division is structured such that all expenses are reimbursed by NSW Maritime, so that revenues will always equal costs.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) 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 service. It is considered this measurement technique produces results not materially different from the estimated amount using the net present value basis of measurement.

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

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

The Division contributes to employee superannuation funds in addition to contributions made by employees. Such contributions are paid to nominated funds. The Division contributes to defined benefit schemes and accumulation schemes. Payments are applied towards the accruing liability for superannuation in respect of employees and are expensed in the Income Statement. Actuarial assesments are performed at each reporting date for the defined benefit schemes. Actuarial gains and losses are recognised as income or expense in the Income Statement. Unfunded defined benefit schemes are recognised as a non-current liability while over-funded schemes are recognised as a non-current asset.

### (i) Insurance

The Division's insurance requirement is managed by the NSW Treasury Managed Fund. During 2006-2007 the Division had workers' compensation insurance in place.

### (j) Comparatives

As NSW Maritime Authority Division was established on 16 March 2006, comparative information does not relate to a full financial year. Comparatives for defined benefits superannuation was reclassified based on advice received from NSW Treasury. The revenue, expense, receipts and payments were also reclassified.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | | 2007 $000 | 2006 $000 |
|---|---|---|---|
| 2 | Employee related expenses | | |
| | Ordinary time | 21,639 | 6,224 |
| | Long service leave | 1,184 | 234 |
| | Recreation leave | 2,040 | 558 |
| | Payroll tax and fringe benefits tax | 2,032 | 761 |
| | Overtime | 383 | 86 |
| | Sick leave | 423 | 137 |
| | Voluntary separation payments | 120 | – |
| | Other employee benefits and workers' compensation | 990 | (758) |
| | External labour | – | 757 |
| | | 28,811 | 7,999 |
| 3 | Superannuation | | |
| | Contributions | 1,346 | 508 |
| | Funding deficit (surplus) | 1,251 | (3,005) |
| | Superannuation funding – surplus credited to NSW Maritime | – | 3,005 |
| | | 2,597 | 508 |

Superannuation was reassessed by Pillar Administration. The assessment resulted in a funding surplus of $6.643M at 30 June 2007 ($4.049M surplus at 30 June 2006).

| | | 2007 $000 | 2006 $000 |
|---|---|---|---|
| 4 | Administration | | |
| | Travel allowances | 392 | – |
| 5 | Cash and cash equivalents | | |
| | Cash in bank | 394 | – |

**Reconciliation of cash**

The amount shown is fair value. For the purposes of the cash flow statement, cash and cash equivalents comprise the amount shown above.

**Reconciliation of net cash flows from operating activities to net surplus**

| | 2007 $000 | 2006 $000 |
|---|---|---|
| Net cash provided by (used in) operating activities | 394 | – |
| Changes in assets and liabilities | | |
| Increase (decrease) in current receivables | (1,750) | 11,251 |
| Increase (decrease) in non-current receivables | 2,594 | 4,049 |
| Decrease (increase) in current payables | (841) | (315) |
| Decrease (increase) in provisions | (397) | (14,985) |
| Net surplus | – | – |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | | 2007 $000 | 2006 $000 |
|---|---|---|---|
| 6 | Trade and other receivables (current) | | |
| | Amount owing from NSW Maritime | 9,232 | 11,248 |
| | Prepayments | 269 | – |
| | SASS pool funds | – | 3 |
| | | 9,501 | 11,251 |

**(i) Net fair value**

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

**(ii) Significant terms and conditions**

The amount receivable from NSW Maritime is payable within the next financial year. Amounts owing which arise during subsequent years will be settled within one month.

**(iii) Credit risk**

The Division's only customer is NSW Maritime. The maximum credit risk is considered to be the net fair value of the amount owing.

| | | 2007 $000 | 2006 $000 |
|---|---|---|---|
| 7 | Trade and other receivables (non-current) | | |
| | Superannuation – SASS | 2,310 | 2,709 |
| | Superannuation – SANCS | 832 | 867 |
| | Superannuation – SSS | 3,501 | 473 |
| | | 6,643 | 4,049 |

| | | 2007 $000 | 2006 $000 |
|---|---|---|---|
| 8 | Trade and other payables | | |
| | **Current** | | |
| | Trade creditors | 782 | – |
| | SASS pool funds | 1 | – |
| | Accrued payroll tax | 146 | 153 |
| | Accrued wages | 91 | 74 |
| | Accrued fringe benefits tax | 136 | 88 |
| | | 1,156 | 315 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 $000 | 2006 $000 |
|---|---|---|
| 9 Provisions | | |
| **Current employee benefits and related on-cost** | | |
| Annual leave (a) | 2,614 | 2,558 |
| Long service leave – short term benefit (b) | 759 | 549 |
| Long service leave – long term benefit (b) | 7,493 | 7,061 |
| Payroll tax provision on long service leave | 506 | 457 |
| Provision for workers' compensation (c) | 570 | 537 |
| | 11,942 | 11,162 |
| **Non-current employee benefits and related on-cost** | | |
| Long service leave (b) | 179 | 235 |
| Payroll tax provision on long service leave | 11 | 14 |
| Provision for workers' compensation (c) | 3,250 | 3,574 |
| | 3,440 | 3,823 |

(a) The liability for annual leave is calculated as at 1 July 2007 wage rates and has been fully provided.

(b) The liability for long service leave has been calculated as at 1 July 2007 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 $2.320M for dust diseases (2006: $1.960M) of which $220K (2006: $157K) is current. This provision is for claims from former Maritime Services Board staff for dust related diseases that can be attributed to their service prior to 30 June 1995.

The Treasury Managed Fund (TMF) normally calculates hindsight premiums each year. In 2006-2007 NSW Maritime received a refund for the 1998-1999 final workers' compensation hindsight adjustment and made a payment for the 2000-2001 interim workers' compensation hindsight adjustment.

| Movement in annual and long service leave provision | Balance 1 Jul 06 $000 | Charges to revenue $000 | Less payments $000 | Balance 30 Jun 07 $000 |
|---|---|---|---|---|
| Annual leave | 2,558 | 2,040 | (1,984) | 2,614 |
| Long service leave – current | 7,610 | 1,240 | (598) | 8,252 |
| Long service leave – non-current | 235 | (56) | – | 179 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

### 10 Superannuation

The Division has three defined benefit superannuation schemes covering approximately one third of its employees. They are:

State Superannuation Scheme (SSS)

State Authorities Non-Contributory Superannuation Scheme (SANCS)

State Authorities Superannuation Scheme (SASS)

All of these superannuation schemes are defined benefits schemes, where at least a component of the final benefit is derived from a multiple of member salary and years of membership. All schemes are closed to new members. Member numbers of the schemes are as follows:

| | SASS 2007 | SANCS 2007 | SSS 2007 |
|---|---|---|---|
| **Contributors** | 61 | 103 | 42 |
| **Deferred benefits** | – | – | 1 |
| **Pensioners** | 2 | – | 22 |
| **Pensions fully commuted** | – | – | 5 |

| | SASS 2006 | SANCS 2006 | SSS 2006 |
|---|---|---|---|
| Contributors | 66 | 111 | 45 |
| Deferred benefits | – | – | 1 |
| Pensioners | – | – | 20 |
| Pensions fully commuted | – | – | 5 |

| Superannuation position recognised in the balance sheet | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Accrued liability** | 15,187 | 3,292 | 39,374 | 57,853 |
| **Reserve account balance** | (18,994) | (4,663) | (45,144) | (68,801) |
| **Surplus in excess of recovery available from schemes** | 1,497 | 539 | 2,269 | 4,305 |
| **Net (asset) liability recognised in balance sheet** | (2,310) | (832) | (3,501) | (6,643) |
| **Future service liability** | 3,336 | 1,283 | 2,024 | 6,643 |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Accrued liability | 13,894 | 3,266 | 40,149 | 57,309 |
| Reserve account balance | (16,603) | (4,133) | (40,622) | (61,358) |
| Net (asset) liability recognised in balance sheet | (2,709) | (867) | (473) | (4,049) |
| Future service liability | 3,654 | 1,476 | 2,681 | 7,811 |

The future service liability does not have to be recognised by the Division. It is only used to determine if an asset ceiling limit should be imposed.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

10 Superannuation (continued)

**Reconciliation of the present value of the defined benefit obligation**

| | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Present value of partly funded defined benefit obligations at beginning of year** | 13,894 | 3,266 | 40,149 | 57,309 |
| **Current service cost** | 592 | 187 | 358 | 1,137 |
| **Interest cost** | 799 | 184 | 2,345 | 3,328 |
| **Contributions by fund participants** | 304 | – | 379 | 683 |
| **Actuarial (gains) losses** | 384 | (85) | (1,409) | (1,110) |
| **Benefits paid** | (786) | (260) | (2,448) | (3,494) |
| **Present value of partly funded defined benefit obligations at end of year** | 15,187 | 3,292 | 39,374 | 57,853 |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Present value of partly funded defined benefit obligations at beginning of year | – | – | – | – |
| Current service cost | 178 | 57 | 144 | 379 |
| Interest cost | 239 | 49 | 677 | 965 |
| Contributions by fund participants | 86 | – | 104 | 190 |
| Actuarial (gains) losses | (299) | (112) | (1,431) | (1,842) |
| Benefits paid | (223) | (36) | (4) | (263) |
| Transfer in on 17 March 2006 | 13,913 | 3,308 | 40,659 | 57,880 |
| Present value of partly funded defined benefit obligations at end of year | 13,894 | 3,266 | 40,149 | 57,309 |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2007

10 Superannuation (continued)

| Reconciliation of the fair value of fund assets | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Fair value of fund assets at beginning of year** | 16,603 | 4,133 | 40,622 | 61,358 |
| **Expected return on fund assets** | 1,255 | 310 | 3,068 | 4,633 |
| **Actuarial gains (losses)** | 1,011 | 269 | 3,140 | 4,420 |
| **Employer contributions** | 607 | 211 | 383 | 1,201 |
| **Contributions by fund participants** | 304 | – | 379 | 683 |
| **Benefits paid** | (786) | (260) | (2,448) | (3,494) |
| **Fair value of fund assets at end of year** | 18,994 | 4,663 | 45,144 | 68,801 |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Fair value of fund assets at beginning of year | – | – | – | – |
| Expected return on fund assets | 250 | 17 | 864 | 1,131 |
| Actuarial gains (losses) | 291 | 74 | 1,014 | 1,379 |
| Employer contributions | 1,080 | 907 | (1,646) | 341 |
| Contributions by fund participants | 86 | – | 104 | 190 |
| Benefits paid | (223) | (36) | (4) | (263) |
| Transfer in on 17 March 2006 | 15,119 | 3,171 | 40,290 | 58,580 |
| Fair value of fund assets at end of year | 16,603 | 4,133 | 40,622 | 61,358 |

| Total expense (income) recognised in the income statement | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Current service cost** | 592 | 187 | 358 | 1,137 |
| **Interest cost** | 798 | 184 | 2,344 | 3,326 |
| **Expected return on fund assets (net of expenses)** | (1,255) | (310) | (3,068) | (4,633) |
| **Actuarial losses (gains) recognised in year** | (627) | (354) | (4,549) | (5,530) |
| **Movement in adjustment for limitation on net assets** | 1,497 | 539 | 2,269 | 4,305 |
| **Expense (income) recognised** | 1,005 | 246 | (2,646) | (1,395) |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Current service cost | 178 | 57 | 145 | 380 |
| Interest cost | 239 | 49 | 677 | 965 |
| Expected return on fund assets (net of expenses) | (250) | (17) | (864) | (1,131) |
| Actuarial losses (gains) recognised in year | (589) | (185) | (2,445) | (3,219) |
| Expense (income) recognised | (422) | (96) | (2,487) | (3,005) |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2007

10 Superannuation (continued)

**Fair value of fund assets**

All Fund assets are invested by STC at arm's length through independent fund managers.

| **Actual return on fund assets** | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Return on fund assets** | 2,429 | 579 | 5,707 | 8,715 |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Return on fund assets | 556 | 90 | 1,750 | 2,396 |

**Valuation method and principal actuarial assumptions at balance sheet date**

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

| **Economic assumptions adopted were:** | 2007 | 2006 |
|---|---|---|
| Salary increase rate to 30 June 2008 | 4.00% | 4.00% |
| Salary increase rate after 30 June 2008 | 3.50% | 3.50% |
| Rate of CPI increase | 2.50% | 2.50% |
| Expected rate of return on assets backing current pension liabilities | 7.60% | 7.60% |
| Expected rate of return on assets backing other liabilities | 7.60% | 7.60% |
| Discount rate | 6.40% | 5.90% |

| The following is a summary of the financial position of the fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans": | SASS 2007 $000 | SANCS 2007 $000 | SSS 2007 $000 | Total 2007 $000 |
|---|---|---|---|---|
| **Accrued benefits** | 14,953 | 3,262 | 35,613 | 53,828 |
| **Net market value of fund assets** | (18,995) | (4,663) | (45,145) | (68,803) |
| **Net (surplus) deficit** | (4,042) | (1,401) | (9,532) | (14,975) |

| | SASS 2006 $000 | SANCS 2006 $000 | SSS 2006 $000 | Total 2006 $000 |
|---|---|---|---|---|
| Accrued benefits | 13,376 | 3,098 | 33,719 | 50,193 |
| Net market value of fund assets | (16,603) | (4,132) | (40,622) | (61,357) |
| Net (surplus) deficit | (3,227) | (1,034) | (6,903) | (11,164) |

| **Recommended contribution rates are:** | SASS 2007 | SANCS 2007 | SSS 2007 |
|---|---|---|---|
| **Multiple of member contributions** | 1.90 | – | 0.93 |
| **% member salary** | – | 2.5 | – |

| | SASS 2006 | SANCS 2006 | SSS 2006 |
|---|---|---|---|
| Multiple of member contributions | 1.90 | – | 0.93 |
| % member salary | – | 2.5 | – |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

### 10 Superannuation (continued)

**Funding method**

The method used to determine the employer contribution recommendations at the last actuarial review date was the Aggregate Funding method. The method adopted affects the timing of the cost to the Division. Under the aggregate funding method the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

| The economic assumptions adopted for the last actuarial review of the Fund were: | 2007 | 2006 |
|---|---|---|
| **Weighted average assumptions** | | |
| Expected rate of return on fund assets backing current pension liabilities | 7.70% | 7.70% |
| Expected rate of return on fund assets backing other liabilities | 7.00% | 7.00% |
| Expected salary increase rate | 4.00% | 4.00% |
| Expected rate of CPI increase | 2.50% | 2.50% |

**Nature of asset/liability**

If a surplus exists in the Division's interest in the fund, the Division may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary. Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

### 11 Contingent liabilities and assets

The Division had no contingent assets or liabilities at 30 June 2007.

End of Audited Financial Statements