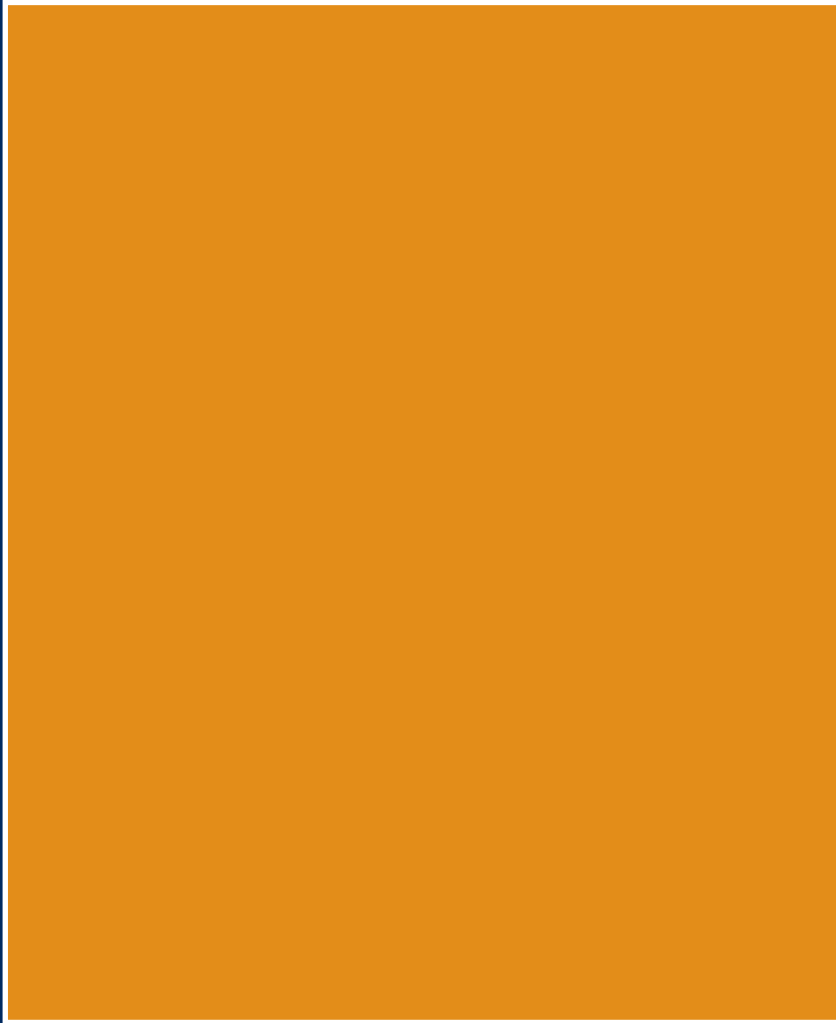


Marine Ministerial Holding Corporation

Annual Report 98-99

Financial Statements



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

MARINE MINISTERIAL HOLDING CORPORATION

To Members of the New South Wales Parliament and the Minister for Transport

Scope

I have audited the accounts of the Marine Ministerial Holding Corporation for the year ended 30 June 1999. The Minister is responsible for the financial report consisting of the accompanying balance sheet, statement of income and expenditure and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and the Minister based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983*.

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

In addition, other legislative and policy requirements, which could have an impact on the Marine Ministerial Holding Corporation's financial report, have been reviewed on a cyclical basis. For this year, the requirements examined comprised compliance with:

- core business activities being in accordance with the *Ports Corporatisation and Waterways Management Act 1995*
- the *Public Authorities (Financial Arrangements) Act 1987*.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the *Public Finance and Audit Act 1983*, Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with my understanding of the Corporation's financial position, the results of its operations and its cash flows.

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

Qualifications

Maritime Centre Lease

Note 17 within the financial report provides details of the accounting treatment for the allocation of interest expense and reduction of lease liability in relation to the Maritime Centre Lease. As in previous years the assumed implicit interest rate is not being applied in the allocation of lease payments between interest expense and reduction of lease liability. This treatment constitutes a departure from Australian Accounting Standard AAS17 "Accounting for Leases". In my opinion the financial effect of this departure is to overstate the operating result by \$4.9m (\$5.1m in previous year), current liabilities by \$2.6m (\$2.4m), accumulated funds by \$45.5m (\$40.8m) and to understate non-current liabilities by \$48.1m (\$43.2m). The Auditor-General's audit report for the year ended 30 June 1998 was similarly qualified.

Remediation Costs

Included in Note 21 within the financial report are details of estimated remediation costs in relation to specified contamination areas of Homebush Bay. In my opinion an obligation exists for the Corporation to conduct this work, which should be recognised as a liability. If this liability had been recognised, current liabilities would increase by \$1m (\$12.5m in previous year), non-current liabilities by \$18.9m (\$8m) and the operating result and accumulated funds would decrease by \$19.9m (\$20.5m). The Auditor-General's audit report for the year ended 30 June 1998 was similarly qualified.

The cumulative effect on the financial report of the two matters referred to above is to overstate the operating result by \$24.8m (\$25.6m), current liabilities by \$1.6m (\$10.1m understatement in the previous year), accumulated funds by \$65.4m (\$61.3m) and to understate non-current liabilities by \$67m (\$51.2m).

Qualified Audit Opinion

In my opinion, except for the effects of the matters referred to in the qualification paragraphs, the financial report of the Marine Ministerial Holding Corporation complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Corporation as at 30 June 1999 and the results of its operations and its cash flows for the year then ended.



R J Sendt
Auditor-General

SYDNEY
19 November 1999



Marine Ministerial Holding Corporation

New South Wales

Tel: (02) 9364 2111

Maritime Centre
207 Kent Street
Sydney NSW 2000
(PO Box 11, Millers Point NSW 2000)

Statement by the Minister

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

1. The accompanying financial statements exhibit a true and fair view of the financial position of the Marine Ministerial Holding Corporation as at 30 June 1999 and 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 (General) Regulation 1995* and the *Treasurer's Directions*.

Further I am not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'C. Scully'.

CARL SCULLY MP
Minister for Transport

27 October 1999

Marine Ministerial Holding Corporation Statement of Income and Expenditure

for the year ended 30 June 1999

BEGINNING OF AUDITED FINANCIAL STATEMENTS

INCOME	Notes	1999 \$000	1998 \$000
Port management - Eden	2	458	585
Yamba	2	110	59
Channel fees	3	6,080	6,080
Property income - Maritime Centre	4	17,771	18,476
Other	4	11,370	10,851
Interest on deposits	5	2,540	2,790
Other	6	1,017	2,064
Total Operating Income		<u>39,346</u>	<u>40,905</u>
EXPENDITURE			
Maintenance		3,337	2,762
Utilities and communications		380	613
Administration	7	3,635	2,808
Depreciation		5,774	5,834
Financial expenses	8	8,235	7,659
Management fee DOT	9	2,235	1,289
Management fee and operating costs - property	10	6,293	6,297
Workers' compensation on-costs		339	(43)
Homebush Bay remediation		437	656
Total Operating Expenditure		<u>30,665</u>	<u>27,875</u>
Operating Surplus before abnormal items		8,681	13,030
Abnormal Items			
Grant	10	(7,000)	-
Property acquisition	11	3,000	-
Profit/(Loss) on property disposal	15	(11,427)	5,633
Total Abnormal Items		<u>(15,427)</u>	<u>5,633</u>
Operating Surplus/(Deficit)		(6,746)	18,663
Opening accumulated funds		(21,485)	169
Accumulated funds prior to distribution		(28,231)	18,832
Distribution paid to the State Government	12	(3,043)	(29,317)
Distribution provided for the State Government	12	(9,000)	(11,000)
Accumulated Funds at 30 June		<u>(40,274)</u>	<u>(21,485)</u>

The accompanying notes form part of these Financial Statements.

Marine Ministerial Holding Corporation
Balance Sheet

as at 30 June 1999

	Notes	1999 \$000	1998 \$000
ASSETS			
Current Assets			
Cash		43	553
Receivables	13	9,710	8,745
Investments	14	51,507	49,532
Total Current Assets		<u>61,260</u>	<u>58,830</u>
Non-Current Assets			
Receivables	13	1,125	-
Property, plant and equipment	15	395,399	416,569
Total Non-Current Assets		<u>396,524</u>	<u>416,569</u>
Total Assets		<u>457,784</u>	<u>475,399</u>
LIABILITIES			
Current Liabilities			
Creditors and borrowings	16	19,841	14,224
Lease	17	2,592	2,423
Provisions	18	9,590	11,600
Total Current Liabilities		<u>32,023</u>	<u>28,247</u>
Non-Current Liabilities			
Lease	17	56,753	59,345
Provisions	18	2,390	2,400
Total Non-Current Liabilities		<u>59,143</u>	<u>61,745</u>
Total Liabilities		<u>91,166</u>	<u>89,992</u>
Net Assets		<u>366,618</u>	<u>385,407</u>
EQUITY			
Capital		406,892	406,892
Accumulated Funds		(40,274)	(21,485)
Total Equity		<u>366,618</u>	<u>385,407</u>

The accompanying notes form part of these Financial Statements.

Marine Ministerial Holding Corporation
Statement of Cash Flows

for the year ended 30 June 1999

	Notes	1999 Inflows/ (Outflows) \$000	1998 Inflows/ (Outflows) \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Operating payments		(16,985)	(11,458)
Abnormal payments		(7,000)	-
Interest paid		(8,624)	(8,028)
Total payments		<u>(32,609)</u>	<u>(19,486)</u>
Receipts			
Operating receipts		34,195	46,770
Abnormal receipts		2,000	-
Interest received from investments		2,547	2,814
Total receipts		<u>38,742</u>	<u>49,584</u>
Cash flows from Government			
Distribution paid		(11,000)	(17,766)
Distribution from property disposal		(3,043)	(24,876)
Net cash paid to Government		<u>(14,043)</u>	<u>(42,642)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	19	<u>(7,910)</u>	<u>(12,544)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(3,133)	(1,439)
Proceeds from sale of property plant and equipment		13,603	25,552
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>10,470</u>	<u>24,113</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings during period (a)		1,328	-
Repayment of lease		(2,423)	(2,264)
NET CASH PAID FOR FINANCING ACTIVITIES		<u>(1,095)</u>	<u>(2,264)</u>
NET INCREASE IN CASH HELD		1,465	9,305
Cash at the beginning of the year		50,085	40,780
CASH AT THE END OF THE PERIOD	1(c) & 19	<u>51,550</u>	<u>50,085</u>

The accompanying notes form part of these Financial Statements.

(a) Approval was received to borrow \$7.7M for relocation of the retail concessions at Circular Quay.
At 30 June 1999, the unused facility on this allocation is \$6.372M.

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

1. SUMMARY OF ACCOUNTING POLICIES

(a) **Reporting Entity**

The Marine Ministerial Holding Corporation (MMHC) is a custodian entity formed to hold port related and other marine assets and liabilities directly on behalf of the Minister for Transport. From 8 April 1999 the assets, liabilities, incomes and expenses of the MMHC have been managed by the Department of Transport (DOT) on behalf of the Minister for Transport. Prior to this date, the same function was undertaken by the Ministry for Forests and Marine Administration (MFMA) on behalf of the Minister for Ports. A Parliamentary order dissolved the MFMA on 7 April 1999 and transferred its marine responsibilities to the DOT. A new division was created within the DOT, titled the Maritime Assets Division (MAD). It is understood that the Government intends to formally transfer the MAD from the DOT to the Waterways Authority with an effective date of 28 July 1999. The MAD manages the activities of the MMHC.

The following summary explains the significant accounting policies that have been adopted in the preparation of the financial statements.

(b) **Basis of Accounting**

As required by Section 41B(1) of the Public Finance and Audit Act, 1983, the accompanying financial statements comprise the MMHC general purpose financial report that has been prepared with regard to the current Australian Accounting Standards, and other mandatory professional reporting requirements to exhibit a true and fair view of the financial position and transactions. The financial statements also incorporate financial reporting requirements specified in the Public Finance and Audit (General) Regulation 1995 and the Treasurer's Directions.

Proper accounts and records for all the operations have been kept as required under Section 41(1) of the Public Finance and Audit Act, 1983.

The form of presentation of the financial statements has been on the basis of full accrual accounting using historical cost accounting conventions, actuarially assessed present value for workers' compensation and deprival value methodology for non-current assets with the exception of Channels (Refer Note 14).

(c) **Cash**

Cash in the balance sheet

Cash comprises cash on hand and the bank balance with the Colonial State Bank. Interest is earned on daily balances at their 11 am cash rate less .5% adjusted every Monday.

Cash in the Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash in the bank and investments.

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(d) **Capitalisation of Property, Plant and Equipment**

Expenditure on land, buildings and plant and equipment of \$500 or more is capitalised. Only those assets completed and ready for service are taken to property, plant and equipment accounts. The remaining capital expenditures are carried forward as construction in progress and included in property, plant and equipment in the Balance Sheet.

(e) **Revenue**

Revenue is measured at the fair value of the consideration or contributions received or receivable. Revenue from the sale of assets is recognised when control of the assets have passed to the buyer.

(f) **Depreciation of Property, Plant and Equipment**

Depreciation has been calculated, on depreciable assets, using rates estimated to write off the assets over their remaining useful lives to the MMHC on a straight line basis in accordance with Australian Accounting Standard AAS4, Depreciation of Non-Current Assets. Land, reclamations and wetland assets have been treated as non-depreciable. The remaining useful lives of all assets were reassessed during the 1995/96 exercise on valuation of assets.

(g) **Receivables**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 7 day terms.

(h) **Insurance**

With the agreement of the WorkCover Authority, worker's compensation open claims and claims for pre-existing conditions at the date of closure of the former MSB, 30 June 1995, are managed by the DOT and the liability carried by the MMHC. The liability relates to the period during which the MSB was self insured, from 1 July 1989 until 30 June 1995.

(i) **Assets**

The assets of the MMHC are unencumbered.

(j) **Leases**

Assets acquired under finance leases are capitalised at cost in accordance with Australian Accounting Standard AAS17, Accounting for Leases and depreciated on a straight line basis over the life of the assets. Lease payments are allocated between interest expense and lease liability.

(k) **Rounding Amounts to Nearest \$000**

In the financial statements, all amounts have been rounded to the nearest thousand dollars (shown as \$000) in accordance with clause 12 of the Public Finance and Audit (General) Regulation, 1995.

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(l) *Investments*

From 1 July 1997 all funds are invested in the NSW Treasury Corporation's Hour-Glass investment facility. Interest revenues are recognised as they accrue.

(m) *Year Two Thousand*

The DOT provides administrative services for the MMHC. The DOT has instigated an identification and remediation program of year two thousand problems in its core computer hardware, software and systems. A contingency plan to cope with problems emerging at 1 January 2000 is being formed. At the date of this financial report, the agency is not aware of any reasons why the program should not achieve its target of a trouble free change to year 2000.

2. PORT MANAGEMENT	Eden		Yamba	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Pilotage	102	127	14	13
Navigation	349	456	45	12
Wharfage	1	1	23	13
Site occupation	4	1	24	18
Other	2	-	4	3
	<u>458</u>	<u>585</u>	<u>110</u>	<u>59</u>

3. CHANNEL FEES

	1999 \$000	1998 \$000
Newcastle Port Corporation	2,280	2,280
Port Kembla Port Corporation	1,340	1,340
Sydney Ports Corporation	2,460	2,460
	<u>6,080</u>	<u>6,080</u>

Channels refer to dredged areas of the harbour bottom. Channels in NSW ports belong to the State and are recorded in the accounts of the MMHC. Port corporations derive much of their revenue from the commercial use of these channels and in turn pay the above fees to the MMHC.

4. PROPERTY INCOME	Maritime Centre		Other	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Land	10,022	9,302	2,929	772
Building	7,749	9,174	1,071	1,835
Foreshore leases (a)	-	-	6,333	6,375
Port Corporation managed props. (b)	-	-	1,037	1,869
	<u>17,771</u>	<u>18,476</u>	<u>11,370</u>	<u>10,851</u>

(a) Leases managed by the Waterways Authority.

(b) Properties managed by Newcastle Port Corporation, Port Kembla Port Corporation, Sydney Ports Corporation and the Waterways Authority.

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

5. INTEREST ON DEPOSITS

	1999 \$000	1998 \$000
Investments (a)	2,330	2,743
Bank interest (b)	210	47
	<u>2,540</u>	<u>2,790</u>

(a) Surplus funds are deposited in NSW Treasury Corporation's Hour-Glass investment facility.

(b) The MMHC's bank account is with the Colonial State Bank.

6. OTHER INCOME

	1999 \$000	1998 \$000
Port Kembla Boat Harbour (a)	941	-
Miscellaneous	76	66
Homebush Bay remediation study	-	558
Grant for Walsh Bay development (b)	-	1,178
Grant for insurance costs	-	262
	<u>1,017</u>	<u>2,064</u>

(a) Waterways Authority share of construction costs.

(b) Funds were received from the Consolidated Fund, via the DOT, for repairs to wharf 2/3 Walsh Bay. At 30 June 1999 these funds were unspent. A further allocation for a similar sum was made during 1998/99 and is held at 30 June 1999 by the DOT. It will be forwarded to the MMHC during 1999/2000.

7. ADMINISTRATION

	1999 \$000	1998 \$000
Consultants	1,420	995
External audit	58	57
Legal	1,366	742
Insurance	328	276
Other	463	738
	<u>3,635</u>	<u>2,808</u>

8. FINANCIAL EXPENSES

	1999 \$000	1998 \$000
Maritime Centre lease	8,195	7,659
Borrowings (a)	40	-
	<u>8,235</u>	<u>7,659</u>

(a) Approval has been secured to borrow \$7.7M from NSW Treasury Corporation to fund the relocation of the retail concessions at Circular Quay. At 30 June 1999, approximately \$1.328M had been drawn down. Refer Note 16.

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

9. MANAGEMENT FEE DOT

	1999 \$000	1998 \$000
Management fee DOT	<u>2,235</u>	<u>1,289</u>

The management fee is levied by the DOT against the MMHC to recompense the DOT for the cost of providing services for the management of MMHC assets, liabilities, incomes and expenses. The basis for the calculation is 35% (1998 20%) of the operating expenditure of the DOT divisions involved in the management of the MMHC.

10. MANAGEMENT FEE AND OPERATING COSTS - PROPERTY

	1999 \$000	1998 \$000
Newcastle Port Corporation	4	2
Port Kembla Port Corporation	-	147
Sydney Ports Corporation	999	791
Waterways Authority	<u>5,290</u>	<u>5,357</u>
	<u>6,293</u>	<u>6,297</u>
Sydney Ports Corporation (a)	<u>7,000</u>	<u>-</u>

Management fee and operating costs are paid to port corporations and the Waterways Authority for managing MMHC owned properties within the port areas. The maintenance costs for the properties are also included.

- (a) This amount was paid to the Sydney Ports Corporation to construct the new passenger terminal at Darling Harbour wharf No.8.

11. PROPERTY ACQUISITION

	1999 \$000	1998 \$000
Homebush Bay land (a)	2,000	-
Brooklyn land (b)	<u>1,000</u>	<u>-</u>
	<u>3,000</u>	<u>-</u>

- (a) The MMHC acquired various lots comprising 10ha. at Rhodes in the municipality of Concord. These lots are contaminated and were acquired for the nominal value of \$1. The \$2M cash received from the previous owner will contribute toward remediation of the lots.
- (b) The Brooklyn property, valued at \$1M, was transferred to the MMHC by the previous owner as further consideration for remediation of the sites in (a) above.

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

12. DISTRIBUTIONS

	1999 \$000	1998 \$000
Distribution paid to the State Government:		
From 1997/98 surplus	11,000	-
Return of surplus funds (a)	-	4,441
From property sales (b)	3,043	24,876
	<u>14,043</u>	<u>29,317</u>
 Distribution provided for the State Government	 <u>9,000</u>	 <u>11,000</u>

- (a) The 1998 amount paid to Treasury, from surplus funds, was passed on to the Department of Public Works and Services for a Cabinet approved work known as the City Improvement Project.
- (b) 1998 property disposals include the KENS site, Lower Fort Street, ADC House in Kent Street and other small sites. The 1999 amount represents commissions from the sale of strata title units on the Woolloomooloo wharf development.

13. CURRENT/NON-CURRENT ASSETS - RECEIVABLES

	1999 \$000	1998 \$000
Current		
Trade debtors	1,323	-
Lease debtors	-	112
Payments in advance - interest on lease	6,027	5,633
Waterways Authority construction in progress advance	900	1,287
DOT inter agency transfer account	-	71
Foreshore rents paid in advance held by the Waterways Authority	1,137	1,216
Accrued income (a)	337	432
	<u>9,724</u>	<u>8,751</u>
Less: provision for doubtful debts (b)	(14)	(6)
Total debtors	<u>9,710</u>	<u>8,745</u>

- (a) Accrued income comprises:-

Interest on investments	-	7
Government Insurance Office (GIO) rent (c)	221	-
Other operating income	116	156
Port Corporation managed properties	-	63
Port Corporation rent	-	206
Total accrued income	<u>337</u>	<u>432</u>

- (b) Provision for doubtful debts: -

Opening balance	(6)	(23)
Add: current year's provision	(9)	-
Less: write back	-	14
	<u>(15)</u>	<u>(9)</u>
Less: bad debts written off	1	3
Closing balance	<u>(14)</u>	<u>(6)</u>

Non-Current

Government Insurance Office (GIO) rent (c)	<u>1,125</u>	<u>-</u>
--	--------------	----------

- (c) A seven year lease has been negotiated with the GIO, with rental received over a six year term. This amount distributes the accrued earnings over the full seven year period in accordance with the requirements of Australian Accounting Standard AAS 17, Leases.

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

14. CURRENT ASSETS - INVESTMENTS

	1999		1998	
	Market Value \$000	At Cost \$000	Market Value \$000	At Cost \$000
Hour-Glass investment facility - cash	22	22	115	115
- cash plus	51,485	51,485	49,417	49,417
Total investments	<u>51,507</u>	<u>51,507</u>	<u>49,532</u>	<u>49,532</u>

The MMHC has investments in NSW Treasury Corporation's (TCorp) Hour-Glass facilities. The MMHC's investments are represented by a number of units in two managed investment pools, with the two pools having different investment horizons and being comprised of a mix of asset classes appropriate to that investment horizon. TCorp appoints and monitors fund managers and establishes and monitors the application of approximate investment guidelines.

These investments are generally able to be redeemed with 24 hours notice. The value of investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the fair net value. The value of the above investments represents the MMHC's share of the value of the underlying assets of the facility and those assets are stated at fair net value.

The average interest rate from 1 July 1998 to 30 June 1999 was 5.07% for the cash plus facility and 5.01% for the cash facility.

Funds are retained by the MMHC to provide for distributions to NSW Treasury and to cash-back obligations carried forward from the former MSB:- contingent liabilities, workers' compensation provision and monies held on special deposit. Investments are also placed on behalf of the DOT.

15. NON - CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	1999			
	Cost \$000	External Valuation \$000	Internal Valuation \$000	Total \$000
Property, plant and equipment	2,634	195,592	216,459	414,685
Accumulated depreciation	(35)	(7,647)	(13,667)	(21,349)
Construction in progress	2,063	-	-	2,063
Total property, plant and equipment	<u>4,662</u>	<u>187,945</u>	<u>202,792</u>	<u>395,399</u>

	1998			
	Cost \$000	External Valuation \$000	Internal Valuation \$000	Total \$000
Property, plant and equipment	971	193,661	238,027	432,659
Accumulated depreciation	(48)	(5,866)	(11,301)	(17,215)
Construction in progress	1,125	-	-	1,125
Total property, plant and equipment	<u>2,048</u>	<u>187,795</u>	<u>226,726</u>	<u>416,569</u>

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

NON - CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment

	1999 \$000	1998 \$000
Land and buildings	261,870	282,390
Wharves jetties & breakwaters	9,097	5,960
Deepening of ports	139,914	139,939
Roadways	3,002	3,009
Plant	802	1,361
	<u>414,685</u>	<u>432,659</u>

Accumulated depreciation

Buildings	8,136	6,984
Wharves jetties & breakwaters	955	706
Deepening of ports	11,193	8,397
Roadways	601	451
Plant	464	677
	<u>21,349</u>	<u>17,215</u>

Disposals

Proceeds from sale	9,048	25,552
Written down value	<u>(20,470)</u>	<u>(19,628)</u>
	(11,422)	5,924
Less - selling costs	(5)	(291)
Net gain (loss)	<u>(11,427)</u>	<u>5,633</u>

Movement in property, plant and equipment

Opening balance	432,659	452,122
Add - from construction in progress	<u>4,136</u>	<u>565</u>
	436,795	452,687
Less - disposals	(12,723)	(19,970)
write off of obsolete plant and buildings	<u>(9,387)</u>	<u>(58)</u>
	<u>414,685</u>	<u>432,659</u>

Movement in accumulated depreciation

Opening balance	17,215	11,731
Add - depreciation charge	<u>5,774</u>	<u>5,834</u>
	22,989	17,565
Less - write back due to disposal	-	(342)
write back due to write offs	<u>(1,640)</u>	<u>(8)</u>
	<u>21,349</u>	<u>17,215</u>

Movement in construction in progress

Opening balance	1,125	251
Add - acquisitions	<u>5,074</u>	<u>1,439</u>
	6,199	1,690
Transfer to property, plant and equipment	<u>(4,136)</u>	<u>(565)</u>
	<u>2,063</u>	<u>1,125</u>

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

NON - CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation rates used

	%
Buildings	2 or 3.7
Wharves, jetties and breakwaters	4
Deepening of ports	2
Roadways	5
Plant	5, 10 or 20

An initial valuation of the MMHC's property, plant and equipment was completed with an effective date of 1 July 1995. The NSW Treasury recommended policy of deprival value methodology, was applied, as follows:

- Land, which would be replaced, on the basis of the greater of current market buying price and current market selling price.
- Other assets, which would be replaced, the written down current market buying price of the gross service potential of the existing asset.
- Land and other assets, which would not be replaced, on the basis of the greater of net present value and current market selling price.

These policies were modified by the MMHC to allow for the following:

- Property, plant and equipment purchased by the former MSB entity within three years of the date of valuation is considered to have "current" value and is therefore recorded at its historic cost.
- Small value plant items costing less than \$250,000 are recorded at their depreciated historic cost because they do not have a material impact on the overall result of the valuation.

Valuations were carried out by independent valuers and by appropriately qualified staff of the DOT.

Details of independent valuers employed in the valuation are:

•		
Land and buildings	Valuer Valuer-General (NSW) P Donovan - Landsbury's (Aust) Pty Ltd F D Bradstreet - Finch Freeman G J Preston - Preston Rowe Paterson	Qualification Statutory Office Holder AVLE (Val) B App Sc (Land Ec) AVLE (Val & Econ) AVLE (Val & Econ)
Vessel	R King - Chynhale Marine & Assoc	Marine surveyor
Wharves and seawalls	MDA	Quantity Surveyor

The port channels, shown as "Deepening of ports", have been retained at the carrying values and depreciation rates of the former MSB. A revaluation is currently in progress with the new values to be applied from 1 July 1999.

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

NON - CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Within the asset category Buildings, a major finance lease is capitalised in accordance with Australian Accounting Standard AAS17, Accounting for Leases.

Details of the lease are as follows:

	Written Down Value at 1 July 98 \$000	Depreciation \$000	Written Down Value at 30 Jun 99 \$000
Buildings - Maritime Centre lease	75,029	(1,596)	73,433

The initial capitalisation of the lease in the former MSB was \$78.871M. Initial capitalisation of the lease in the MMHC at 1 July 1995 was \$69.4M. Accumulated depreciation in the former MSB was \$9.5M. Accumulated depreciation in the MMHC is \$6.4M.

The Recoverable Amount Test, referred to in Australian Accounting Standard AAS10, has not been applied to property plant and equipment values. The MMHC is a not for profit entity and is therefore not obliged to comply with paragraph 30 of AAS10 in relation to assets which have a service potential not dependent upon their ability to generate net cash inflows in their present condition. The balance sheet includes real estate assets at market value. Market value is held to represent the present value of future rental streams which can be generated from that asset if leased at commercial rentals. Some of the assets concerned are not currently leased and are pending disposal.

The MMHC as owner of the bed of Port Jackson has recognised the value of foreshore leases, managed by the Waterways Authority, in its financial statements. The value was determined by capitalising the net income to Waterways Authority at 8% per year for fifteen years.

The non-current assets of the MMHC will be revalued as at 1 July 1999.

16. CURRENT LIABILITIES - CREDITORS AND BORROWINGS

	1999 \$000	1998 \$000
Income received in advance	1,308	809
Sundry deposits	11,342	6,681
Foreshore rents paid in advance	1,137	1,216
Other creditors and accruals (1)	2,976	2,873
Borrowings payable within one year (2)	1,328	-
DOT loan for investment	1,750	2,645
Total creditors	<u>19,841</u>	<u>14,224</u>

(1) The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest was paid or accrued during the year. For interest cost, refer Note 8.

(2) A borrowing facility was established during the year with NSW Treasury Corporation for the draw down of capital funds. The purpose of the borrowing is to fund the relocation of the retail concessions at Circular Quay. Total borrowing is expected to be \$7.7M. Repayment is within one year.

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

17. CURRENT/NON - CURRENT LIABILITIES - LEASE

Maritime Centre Lease

The site of the Maritime Centre at 201-207 Kent St was leased to a consortium of companies in 1984/85 for the purpose of erecting a twin tower office building. Upon completion the smaller tower was leased back for staff accommodation under a sub lease.

Under the Head Lease, the Lessees will pay to the MMHC a total of \$333.7M in annual rental payments over a twenty six year period and thereafter \$1 per annum until expiration of the lease on 30 September 2084.

The MMHC as Lessee under the Sub Lease will in turn pay the lessor a total of \$354.5M in annual rental payments over a twenty five year period and thereafter \$1 per annum until expiration of the lease on 29 September 2084.

The Maritime Centre Tower has been capitalised at \$78.9M as at the commencement of the lease at an assumed implicit interest rate of 13% per annum. This value is consistent with an assessment made by the Valuer-General's Department in 1989. Capital repayments of \$19.6M have been made to date. A further \$59.3M of capital repayments are to be made over the remaining term of the lease.

The assumed implicit interest rate, however is not being applied in the allocation of lease payments between interest expense and reduction of lease liability. This represents a departure from paragraph 53 of the Australian Accounting Standard AAS17, Accounting for Leases. Minimum lease payment in 1999/00 will be \$11.8M (\$11M 1999).

Outstanding lease liability is as follows:	Principal \$000	Interest \$000	Total \$000
Balance	<u>59,345</u>	<u>206,372</u>	<u>265,717</u>
Future lease commitments			
Current	<u>2,592</u>	<u>9,191</u>	<u>11,783</u>
Non-Current			
Two years	2,774	9,834	12,608
Three to five years	9,541	33,829	43,370
Sixth year to expiration (2013)	<u>44,438</u>	<u>153,518</u>	<u>197,956</u>
	<u>56,753</u>	<u>197,181</u>	<u>253,934</u>
	<u>59,345</u>	<u>206,372</u>	<u>265,717</u>

18. CURRENT/NON - CURRENT LIABILITIES - PROVISIONS

	1999 \$000	1998 \$000
Current		
Workers' compensation (a)	590	600
Distribution provided	<u>9,000</u>	<u>11,000</u>
	<u>9,590</u>	<u>11,600</u>
Non-Current		
Workers' compensation (a)	<u>2,390</u>	<u>2,400</u>

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

CURRENT/NON - CURRENT LIABILITIES - PROVISIONS (CONTINUED)

Movement in provisions

	Balance 1 July 98 \$000	Payments \$000	From Non-Current \$000	Provided \$000	Balance 30 Jun 99 \$000
Current					
Workers' compensation	600	(359)	349	-	590
Distribution to Treasury	11,000	(11,000)	-	9,000	9,000
	<u>11,600</u>	<u>(11,359)</u>	<u>349</u>	<u>9,000</u>	<u>9,590</u>
		Balance 1 July 98 \$000	Transfer to Current \$000	Provided \$000	Balance 30 Jun 99 \$000
Non-Current					
Workers' compensation		<u>2,400</u>	<u>(349)</u>	<u>339</u>	<u>2,390</u>

(a) From 1 July 1989, the former MSB became a self insurer for workers' compensation. Due to corporatisation, the MSB relinquished its self-insurers licence on 30 June 1995. A provision is maintained to meet future costs of workers' compensation claims outstanding at 30 June 1995 and to meet the administrative costs of the scheme. The liability of the MMHC, in respect of the former MSB's liability for workers' compensation, was actuarially assessed as at 30 June 1999 and this amount was brought forward in the accounts of the MMHC. The liability is managed by officers of the DOT.

19. RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING SURPLUS

	1999 \$000	1998 \$000
Operating surplus	(6,746)	18,663
Depreciation	5,774	5,834
Other non-cash items	(1,941)	50
Selling costs on sale of fixed assets	-	(291)
Distribution to Government	(12,043)	(42,642)
Profit on sale of fixed assets	<u>11,427</u>	<u>(5,633)</u>
	<u>(3,529)</u>	<u>(24,019)</u>
Changes in operating assets and liabilities		
Receivables	(961)	3,387
Creditors	(1,408)	8,548
Provisions	<u>(2,012)</u>	<u>(460)</u>
Net cash provided by operating activities	<u>(7,910)</u>	<u>(12,544)</u>

For the purposes of the Cash Flow Statement, cash includes cash on hand, at the bank and investments. Investments are shown separately from cash on hand and at bank in the Statement of Financial Position.

	Actual 1999 \$000	Actual 1998 \$000
Cash	43	553
Investments	<u>51,507</u>	<u>49,532</u>
Cash in Cash Flow Statement	<u>51,550</u>	<u>50,085</u>

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

20. CONTINGENT LIABILITIES

Contingent liabilities for unsettled claims subject to litigation as at 30 June 1999 are estimated to be \$8.1M.

21. COMMITMENTS

	1999	1998		
	\$000	\$000		
Capital				
Capital expenditure on Circular Quay contracted for at balance date and not provided for:				
Not later than one year	6,372	7,700		
Operating				
	1999/2000	2000/01	2001/02	2002/03
	\$000	\$000	\$000	\$000
Homebush Bay remediation (a)	1,000	2,000	8,600	8,307
Circular Quay wharves maintenance project (b)	11,488			

(a) The former MSB was ordered by the Environment Protection Authority under section 27 of the Clean Waters Act to remediate specified contamination areas of Homebush Bay. The obligation passed to the MMHC as legal successor to the MSB. The project commenced in 1997/98 and will conclude in 2002/2003. Expenditure to the end of 30 June 1999 has totalled \$1.093M.

(b) Major maintenance project involving all the Circular Quay ferry wharves. Expenditure to the end of 30 June 1999 has totalled \$2.512M.

End of Audited Financial Statements

Marine Ministerial Holding Corporation Summary and Statement of Land

as at 30 June 1999

Land is disclosed in the financial statements under the asset grouping 'Land and Buildings' within Property, Plant and Equipment. In the following summary, land has been separated from buildings and other non-current assets to show land value and usage in terms of balance sheet valuations.

	Note	Land \$000	Buildings \$000	Total Value \$000
Land and Buildings				
Port land - Yamba		14	-	14
Port land - not Port Corporation owned	1	43,876	-	43,876
Other land and buildings	2	114,754	91,866	206,620
Foreshore leasing		11,360	-	11,360
Total Land and Buildings		<u>170,004</u>	<u>91,866</u>	<u>261,870</u>
Other Plant and Equipment				
Roadways				3,002
Wharves, jetties and breakwaters				9,097
Harbour deepening				139,914
Plant				802
Total Property Plant and Equipment	(as per balance sheet) (see note 15)			<u>414,685</u>

Note 1:

Port land - not port corporation owned, is land on Sydney Harbour, at Botany Bay, Newcastle and Port Kembla which is either currently port related and leased to operators or is within port areas but not currently utilised.

Note 2:

Other Land and Buildings are properties which are, or may become, available for alternate use. Valuations have been supplied by the Valuer-General(NSW) or by internal DOT valuers for these sites and values have been used for balance sheet purposes in accordance with Australian Accounting Standard AAS10.

Sites included are; the Maritime Centre, Homebush Industrial Estate, port areas no longer utilised for commercial shipping and a number of small sites. The future usage or disposal of these properties is under review.

